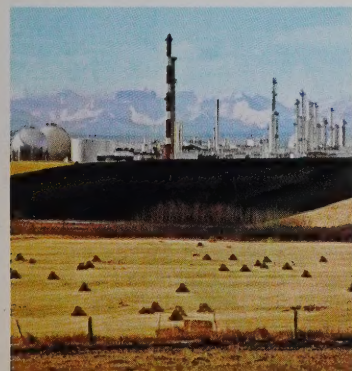
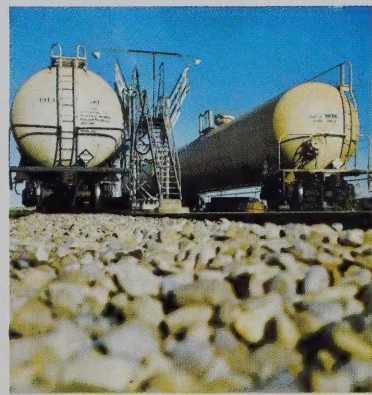
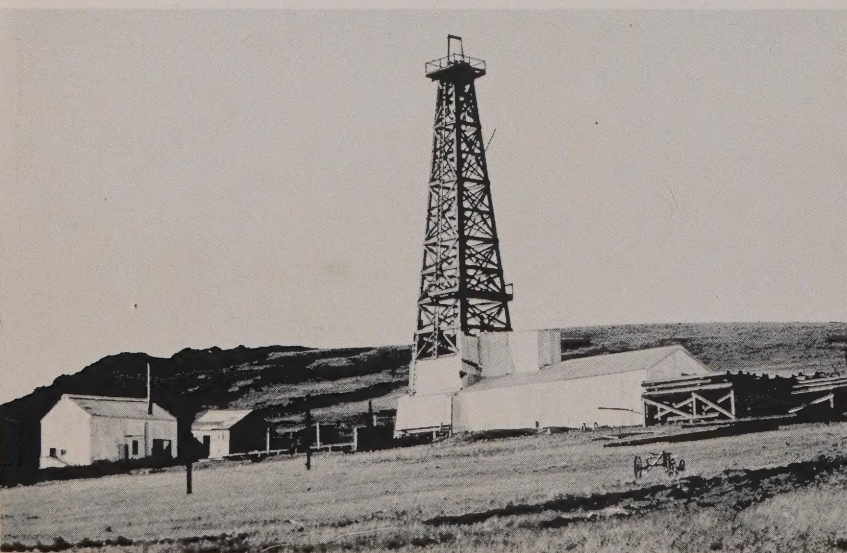
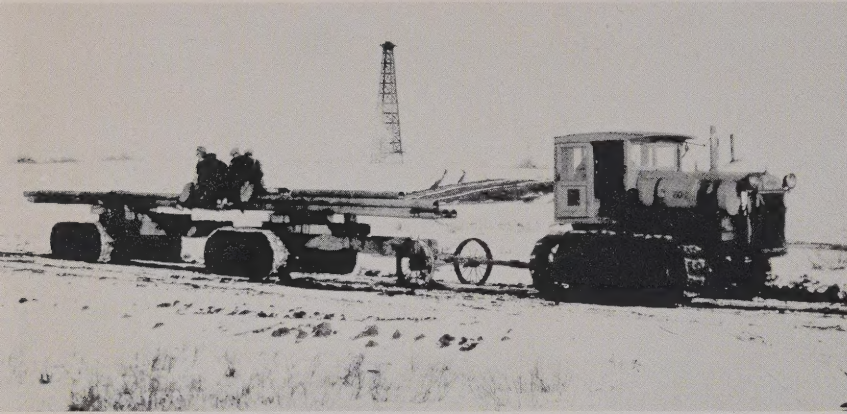


AR14





# 1928...limited knowledge, unlimited horizons



**Our Cover** – In 40 years of corporate existence Home Oil has seen the oil industry move from the pick-and-shovel past to the computerized present. The front part of the report highlights this evolution. The fold-out illustrates the way Home and other early oil companies pioneered in Turner Valley, birthplace of Home Oil Company Limited. The front cover depicts the Company's current broad spectrum of interests in exploration, production, processing and pipelines, capped with a picture of the latest exploration play on the North Slope of Alaska.

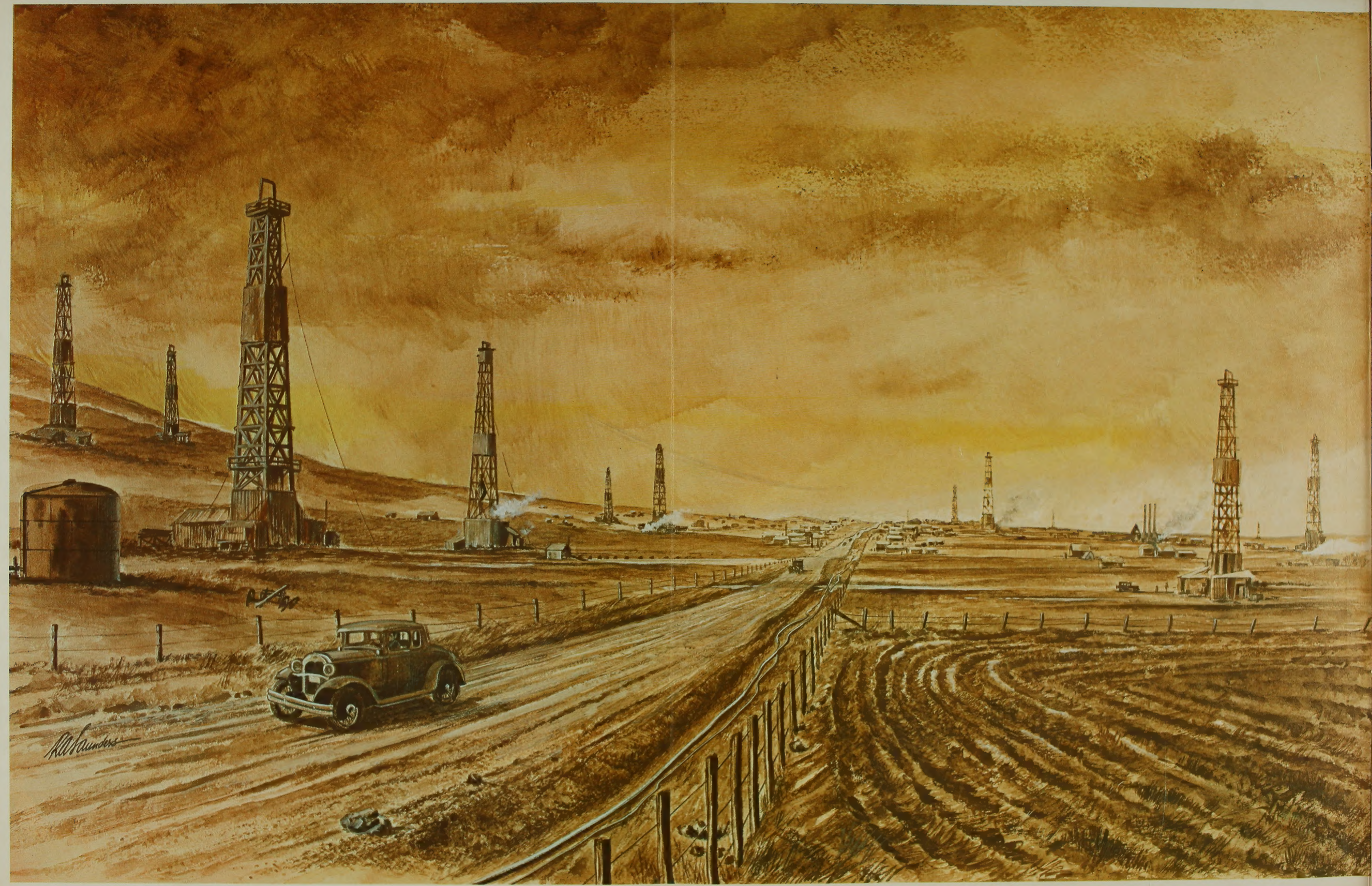
## Contents

Highlights, Comparative Summary	3
To the Shareholders	3
Graphs	5
Financial Statements	10
Acreage and Reserves	16
Sources of Production	17
Maps	18
Ten Year Review	20
Investments in other companies	22
Directors	Flap
Officers	Back Cover

## Annual General Meeting

The annual general meeting of shareholders will be held at 11:00 a.m. April 29, 1969, at the head office of the Company, Calgary, Alberta.







# and Subsidiary Companies

## AND USE OF FUNDS

	1968	1967
.....	\$1,629,000	\$1,211,000
including		
ome taxes	1,834,000	1,537,000
.....	<u>3,463,000</u>	<u>2,748,000</u>
.....	10,000	14,000
.....	297,000	84,000
	<u>\$3,770,000</u>	<u>\$2,846,000</u>
.....	\$4,280,000	\$4,915,000
.....	1,233,000	747,000
.....	660,000	586,000
	<u>6,173,000</u>	<u>6,248,000</u>
.....	(2,403,000)	(3,402,000)
	<u>\$3,770,000</u>	<u>\$2,846,000</u>

nd adjustment.

AR14



## HOME OIL COMPANY LIMITED

### INTERIM REPORT to the SHAREHOLDERS

FIRST QUARTER ENDED

MARCH 31, 1968

CALGARY, ALBERTA

MAY 7, 1968



## TO THE SHAREHOLDERS:

The Annual and Special General Meeting of shareholders was held at the Head Office of the Company in Calgary, Alberta on April 25, 1968. Shareholders holding 1,720,971 Class B shares were present either in person or by proxy representing 75% of the Class B shares entitled to vote at the meeting. The shareholders were asked to approve By-Laws 23, 24 and 25 dealing with amendments to the Company's By-Laws and Letters Patent and the creation of Preferred Shares. In excess of 99% of the shares represented at the meeting voted in favor of all three by-laws.

In my address to the shareholders at the meeting, I made the following comments about the Company's operations:

"In our Annual Report, I expressed optimism as to the outlook for the marketing of Canadian crude oil and natural gas in future years. This optimism has been borne out in 1968 by a very substantial increase in demand for Alberta crude oil over that experienced in 1967. Recently the estimated crude oil production in Alberta for the month of July, 1968 was projected to be substantially greater than the July demand in 1967, which was materially inflated by the Middle East war. This increased production in 1968, together with improved sales for natural gas and its by-products, has favorably affected our earnings for the first quarter of 1968.

Net earnings for this period amounted to \$1,451,000 or 29 cents per share, as compared with \$1,211,000 or 24 cents per share in the first quarter of 1967. In addition, in the first quarter of 1968 we realized a gain of \$178,000 or 3.5 cents per share on the sale of certain securities. Net flow of funds from operations amounted to \$3,463,000 or 69 cents per share, as compared with \$2,748,000 or 55 cents per share for the same period in 1967. Gross revenue for

the first quarter of the year amounted to \$6,363,000 an increase of 14.9% over a comparable amount of \$5,536,000 in 1967. Crude oil and natural gas liquids' production increased 15.9% to 16,127 barrels per day from 13,911 barrels in 1967. Natural gas sales averaged 74.7 million cubic feet per day, compared with 68.6 million cubic feet in 1967 and sulphur sales amounted to 10,231 long tons, as compared with 5,250 long tons in 1967.

In line with our growing diversification into the natural gas liquids marketing field, in April, 1968 we acquired all of the outstanding shares of Union Petroleum Corporation of Tulsa, Oklahoma, in exchange for Class A shares of Home. Union is engaged in the wholesale marketing of natural gas liquid products in the United States. These products are handled through Union's large fleet of jumbo tank cars, transport truck fleet, storage and terminal facilities. Included in the acquisition of Union were its interests in Can-Am Liquids, Ltd. and Can-Am Transportation, Inc. which now makes these companies wholly-owned by Home. As a result of the purchase of Union, Home, through its subsidiaries will be marketing initially in excess of 350,000,000 gallons of product a year and will operate a fleet of over 350 jumbo tank cars.

As you know, your Company is primarily an oil and gas exploration company and in 1967 our expenditures in this category amounted to a record \$6.6 million. In 1968 we expect to spend in excess of \$7.5 million."

Mr. G. J. Blundun, Vice-President, Exploration reviewed our 1968 exploration program and his comments are summarized as follows:

The Lockton #7 well in Yorkshire, England encountered the Middle Magnesian Carbonate formation during March,

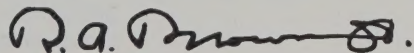


and has been successfully completed as a gas well. It is located one mile east of the Lockton #2A gas discovery. Gas flowed at the rate of 35.5 million cubic feet per day from the top 40 feet of a net pay thickness of 128 feet. The gross section measured 160 feet, and the absolute open flow potential is calculated at 122 million cubic feet per day. Another exploratory well about three miles west of the capped gas well at Ralph's Cross is planned for this summer.

The Company drilled three wells in Northwestern Alberta this past winter, one of which was a gas well, Home Chieftain Blue Crown 6-10-120-3 W6th. The other two were dry and abandoned. These wells were drilled in search of production from the Keg River formation. A rumored oil discovery by another company is within two miles of one of our reservations on which a seismic program was completed late this winter.

The Company also participated in the discovery of a gas well at Brazeau in the first quarter of 1968, and is currently drilling another at Whitecourt. Plans are underway for additional exploration and drilling for gas in West Turner Valley, not far from the recent Quirk Creek gas discovery made by another company, and in the Westward Ho area.

At the Directors' Meeting following the Shareholders' Meeting, a dividend of 17.5 cents per share was declared on the Class A and Class B shares of the Company, payable July 1, 1968 to shareholders of record on June 7, 1968. The directors also appointed Mr. W. T. Wilkinson as Vice-President, Marketing.



President

Calgary, Alberta  
May 7, 1968.

## FINANCIAL AND OPERATING HIGHLIGHTS

### FINANCIAL

(Dollars in thousands except per share amounts)

	Three Months	
	1968	1967
Net earnings before special credit .....	\$ 1,451	\$ 1,211
Per share .....	\$ .29	\$ .24
Special Credit .....	\$ 178	\$ —
Per share .....	\$ .035	\$ —
Net flow of funds from operations .....	\$ 3,463	\$ 2,748
Per share .....	\$ .69	\$ .55
Balance Sheet Items at March 31		
Working capital (deficiency) .....	\$ (5,466)	\$ 2,475
Investments in other companies .....	\$ 64,777	\$ 53,636
Property, plant and equipment — net ....	\$ 108,723	\$ 103,609
Long term debt (less current maturities) ..	\$ 89,110	\$ 85,891
Deferred income taxes	\$ 19,001	\$ 16,779
Capital stock .....	\$ 35,218	\$ 34,246
Retained earnings .....	\$ 26,320	\$ 23,074
Other assets and deferred charges ....	\$ 1,616	\$ 1,492

### OPERATING

#### Production and Sales

Crude oil and natural gas liquids production — barrels per day .....	16,127	13,911
Natural gas sales — thousands of cubic feet per day ..	74,731	68,576
Sulphur sales — long tons .....	10,231	5,250

#### Daily Average Pipe

#### Line Gatherings

Cremona Pipe Line Division .....	41,185	37,914
Federated Pipe Lines Ltd. ....	152,834	141,895





## HOME OIL COMPANY LIMITED

### INTERIM REPORT to the SHAREHOLDERS

FIRST QUARTER ENDED

MARCH 31, 1968

CALGARY, ALBERTA

MAY 7, 1968

## HOME OIL COMPANY LIMITED

### CONSOLIDATED STATEMENT OF SOURCES

For the Three Months ended March 31, 1968

#### FUNDS WERE OBTAINED FROM

Net earnings .....

Add charges to earnings not requiring further  
depreciation, amortization and deferred taxes .....

Net flow of funds from operations .....

Long term borrowings — net .....

Issuance of capital stock .....

#### FUNDS WERE USED FOR

Property, plant and equipment .....

Repayment of long term debt .....

Investments — net .....

Increase (decrease) in working capital .....

Subject to year end audit



# HOME OIL COMPANY LIMITED

## TO THE SHAREHOLDERS:

The net earnings, before a special credit, for the year 1967 amounted to \$5,048,000 (\$1.01 per share). In 1966, net earnings were \$4,898,000 (\$0.99 per share). The special credit of \$261,000 in 1967 arose from the sale of securities and raised the net earnings to \$5,309,000 or \$1.06 per share. Net earnings including the special credit but before deferred income taxes were \$7,408,000 (\$1.48 per share) in 1967, compared with \$6,935,000 (\$1.40 per share) in 1966.

Gross revenue increased to \$23,320,000 in 1967, from \$21,634,000 in the previous year. Net cash flow from operations amounted to \$11,628,000 (\$2.33 per share), compared with \$10,632,000 (\$2.15 per share) in 1966. Production of crude oil and natural gas liquids averaged 14,291 barrels per day, an increase of 6.6% over the 1966 production of 13,400 barrels per day. Natural gas sales were 61.0 million cubic feet per day compared with 56.8 million cubic feet per day in 1966, an increase of 7.5%. Sulphur sales more than doubled to 42,182 long tons in 1967, from 20,343 long tons in 1966.

In December, 1967, Home completed the sale of \$7,000,000 (U.S.) 6 7/8% Secured Bonds due January 1, 1983. The issue was sold privately to two insurance companies in the United States and the proceeds were used to reduce bank indebtedness.

In the latter part of 1967, the Company

purchased 650,000 common shares of Union Gas Company of Canada, Limited at a cost of \$9,656,000.

During the current winter drilling season the Company will participate in the drilling of four exploratory wells in the Bistcho Lake - Meander River areas of Northwestern Alberta. Two of these have already been drilled — one dry and abandoned, the other a capped gas well. One other well in Central Alberta was dry, and another is currently drilling. Three stratigraphic tests seeking the Winnipegosis reef have been drilled and abandoned in the Winefred Lake area of Saskatchewan. Elsewhere four wells are presently being drilled by other companies on lands farmed out by Home. In the United Kingdom, Lockton No. 7, located a mile east of the major gas discovery, Lockton 2A, spudded late in January. The results of this well will be known early in March. The Company considers it significant that it holds about 49,000 acres of land in the general area of the recent Quirk Creek gas discovery west of the Turner Valley oilfield, and a 33 1/3% interest in 126,000 acres extending to within two miles of a rumoured oil discovery in the Steen River area of Northwestern Alberta.

The 1967 annual report will be mailed to shareholders in the early part of April, 1968.

R. A. Brown, Jr.

President and

Managing Director.

March 1, 1968

## CONSOLIDATED STATEMENT OF EARNINGS

	1967	1966
<b>REVENUE</b>		
Operating revenue . . . . .	\$20,039,000	\$18,176,000
Interest and dividends . . . . .	3,281,000	3,458,000
	<u>\$23,320,000</u>	<u>\$21,634,000</u>
<b>EXPENSE</b>		
Operating and general expense . . . . .	6,235,000	5,310,000
Amortization . . . . .	2,637,000	2,306,000
Depreciation . . . . .	1,471,000	1,276,000
Interest expense . . . . .	5,830,000	5,807,000
	<u>\$16,173,000</u>	<u>\$14,699,000</u>
Net earnings before deferred income taxes . . . . .	7,147,000	6,935,000
<b>DEFERRED INCOME TAXES</b> . . . . .	2,099,000	2,037,000
<b>NET EARNINGS</b> before special credit . . . . .	5,048,000	4,898,000
<b>SPECIAL CREDIT</b> - Gain on sale of securities . . . . .	261,000	—
<b>NET EARNINGS</b> . . . . .	<u>\$ 5,309,000</u>	<u>\$ 4,898,000</u>



# INCOME AND USE OF FUNDS

8

## CONSOLIDATED STATEMENT OF EARNINGS

For the Three Months ended March 31, 1968

	1968	1967
Operating revenue	\$1,629,000	\$1,211,000
Operating expense	1,834,000	1,537,000
General and administrative expense	3,463,000	2,748,000
Amortization	10,000	14,000
Depreciation	297,000	84,000
Interest and expense on long term debt	\$3,770,000	\$2,846,000
Other interest		
Net earnings before deferred income taxes	\$4,280,000	\$4,915,000
DEFERRED INCOME TAXES	1,233,000	747,000
NET EARNINGS before special credit	660,000	586,000
SPECIAL CREDIT	6,173,000	6,248,000
Gain on sale of securities	(2,403,000)	(3,402,000)
NET EARNINGS	\$3,770,000	\$2,846,000

Subject to year end audit and adjustment.

	1968	1967
Operating revenue	\$5,482,000	\$4,778,000
Interest and dividends	881,000	758,000
EXPENSE		
Operating expense	823,000	762,000
General and administrative expense	675,000	650,000
Amortization	772,000	630,000
Depreciation	381,000	356,000
Interest and expense on long term debt	1,490,000	1,400,000
Other interest	122,000	1,000
Net earnings before deferred income taxes	4,263,000	3,799,000
DEFERRED INCOME TAXES	2,100,000	1,737,000
NET EARNINGS before special credit	649,000	526,000
SPECIAL CREDIT	1,451,000	1,211,000
Gain on sale of securities	178,000	—
NET EARNINGS	\$1,629,000	\$1,211,000
NET EARNINGS PER SHARE	\$ 0.325	\$ 0.24

Subject to year end audit and adjustment.



# HOME OIL COMPANY LIMITED

## TO THE SHAREHOLDERS:

The net earnings, before a special credit, for the year 1967 amounted to \$5,048,000 (\$1.01 per share). In 1966, net earnings were \$4,898,000 (\$0.99 per share). The special credit of \$261,000 in 1967 arose from the sale of securities and raised the net earnings to \$5,309,000 or \$1.06 per share. Net earnings including the special credit but before deferred income taxes were \$7,408,000 (\$1.48 per share) in 1967, compared with \$6,935,000 (\$1.40 per share) in 1966.

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In December, 1967, Home completed the sale of \$7,000,000 (U.S.) 6 7/8% Secured Bonds due January 1, 1983. The issue was sold privately to two insurance companies in the United States and the proceeds were used to reduce bank indebtedness.

In the latter part of 1967, the Company

purchased 650,000 common shares of Union Gas Company of Canada, Limited at a cost of \$9,656,000.

During the current winter drilling season the Company will participate in the drilling of four exploratory wells in the Bistcho Lake - Meander River areas of Northwestern Alberta. Two of these have already been drilled — one dry and abandoned, the other a capped gas well. One other well in Central Alberta was dry, and another is currently drilling. Three stratigraphic tests seeking the Winnipegosis reef have been drilled and abandoned in the Winefred Lake area of Saskatchewan. Elsewhere four wells are presently being drilled by other companies on lands farmed out by Home. In the United Kingdom, Lockton No. 7, located a mile east of the major gas discovery, Lockton 2A, spudded late in January. The results of this well will be known early in March. The Company considers it significant that it holds about 49,000 acres of land in the general area of the recent Quirk Creek gas discovery west of the Turner Valley oilfield, and a 33 1/3% interest in 126,000 acres extending to within two miles of a rumoured oil discovery in the Steen River area of Northwestern Alberta.

The 1967 annual report will be mailed to shareholders in the early part of April, 1968.

R. A. Brown, Jr.

President and  
Managing Director.

March 1, 1968

## CONSOLIDATED STATEMENT OF EARNINGS

### REVENUE

	1967	1966
Operating revenue . . . . .	\$20,039,000	\$18,176,000
Interest and dividends . . . . .	3,281,000	3,458,000
	<u>\$23,320,000</u>	<u>\$21,634,000</u>

### EXPENSE

Operating and general expense . . . . .	6,235,000	5,310,000
Amortization . . . . .	2,637,000	2,306,000
Depreciation . . . . .	1,471,000	1,276,000
Interest expense . . . . .	5,830,000	5,807,000
	<u>\$16,173,000</u>	<u>\$14,699,000</u>

Net earnings before deferred income taxes . . . . .	7,147,000	6,935,000
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<b>DEFERRED INCOME TAXES</b> . . . . .	2,099,000	2,037,000
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<b>NET EARNINGS</b> before special credit . . . . .	5,048,000	4,898,000
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<b>SPECIAL CREDIT</b> - Gain on sale of securities . . . . .	261,000	—
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<b>NET EARNINGS</b> . . . . .	<u>\$ 5,309,000</u>	<u>\$ 4,898,000</u>
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CE AND USE OF FUNDS

3

	1968	1967
.....	\$1,629,000	\$1,211,000
ds including		
income taxes	1,834,000	1,537,000
.....	<u>3,463,000</u>	<u>2,748,000</u>
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.....	<u>660,000</u>	<u>586,000</u>
	6,173,000	6,248,000
.....	<u>(2,403,000)</u>	<u>(3,402,000)</u>
	<u>\$3,770,000</u>	<u>\$2,846,000</u>

lit and adjustment.

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**HOME OIL COMPANY  
LIMITED**

**INTERIM REPORT  
to the  
SHAREHOLDERS**

FIRST QUARTER ENDED

MARCH 31, 1968



# HOME OIL COMPANY LIMITED

## TO THE SHAREHOLDERS:

The net earnings, before a special credit, for the year 1967 amounted to \$5,048,000 (\$1.01 per share). In 1966, net earnings were \$4,898,000 (\$0.99 per share). The special credit of \$261,000 in 1967 arose from the sale of securities and raised the net earnings to \$5,309,000 or \$1.06 per share. Net earnings including the special credit but before deferred income taxes were \$7,408,000 (\$1.48 per share) in 1967, compared with \$6,935,000 (\$1.40 per share) in 1966.

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The 1967 annual report will be mailed to shareholders in the early part of April, 1968.

R. A. Brown, Jr.  
President and  
Managing Director.

March 1, 1968

## CONSOLIDATED STATEMENT OF EARNINGS

	1967	1966
<b>REVENUE</b>		
Operating revenue . . . . .	\$20,039,000	\$18,176,000
Interest and dividends . . . . .	3,281,000	3,458,000
	<u>\$23,320,000</u>	<u>\$21,634,000</u>
<b>EXPENSE</b>		
Operating and general expense . . . . .	6,235,000	5,310,000
Amortization . . . . .	2,637,000	2,306,000
Depreciation . . . . .	1,471,000	1,276,000
Interest expense . . . . .	5,830,000	5,807,000
	<u>\$16,173,000</u>	<u>\$14,699,000</u>
Net earnings before deferred income taxes . . . . .	7,147,000	6,935,000
<b>DEFERRED INCOME TAXES</b> . . . . .	2,099,000	2,037,000
<b>NET EARNINGS</b> before special credit . . . . .	5,048,000	4,898,000
<b>SPECIAL CREDIT</b> - Gain on sale of securities . . . . .	261,000	—
<b>NET EARNINGS</b> . . . . .	<u>\$ 5,309,000</u>	<u>\$ 4,898,000</u>

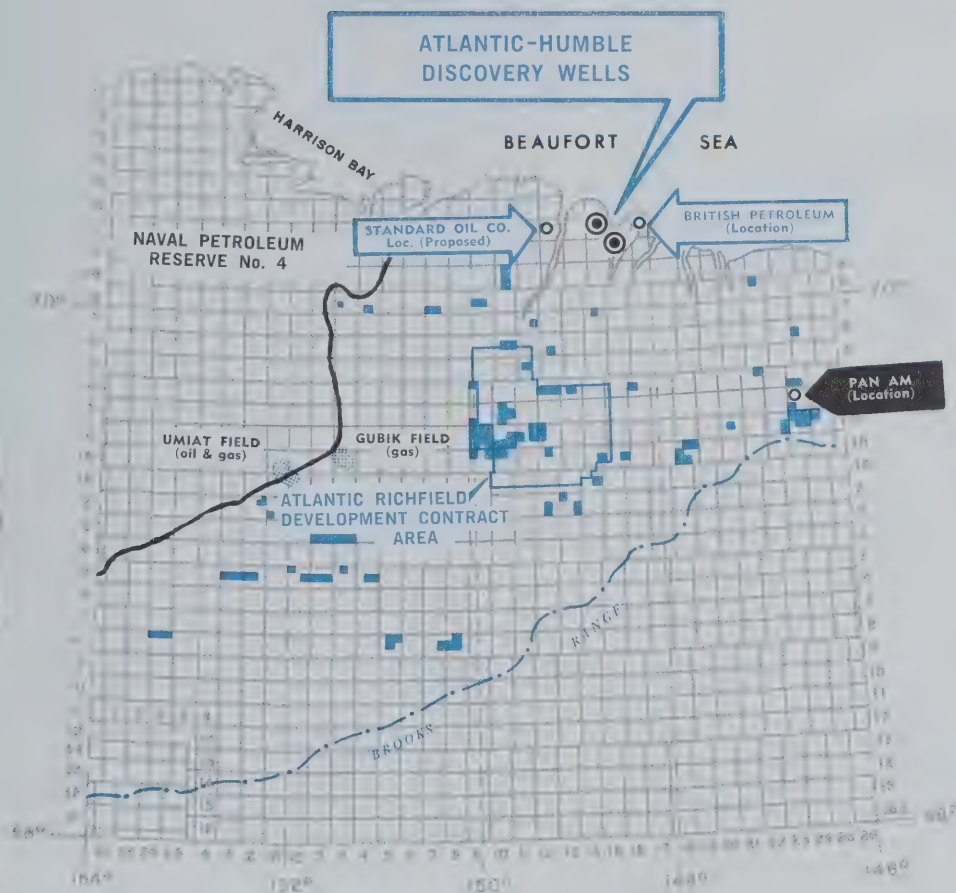


# MAP OF ALASKA

Scale 180 0 180 360 540 720 Miles







## MAP OF ARCTIC SLOPE — ALASKA —



HOME OIL COMPANY OF CANADA  
LAND HOLDINGS,  
TOTALING 269,345 ACRES

Scale 20 0 20 40 60 Miles



## Great Lakes Project

The Great Lakes Gas Transmission Company, 50% owned by Trans-Canada Pipe Lines Limited, will have its pipeline completed and delivering gas prior to November 1, 1968. The 36" line, having an initial capacity of 500 million cubic feet per day, is being constructed from a point near Emerson, Manitoba, to Sarnia, Ontario, a distance of 971 miles. This major construction project, a great international effort, will meet the market requirements of Eastern Canadian consumers this winter and will assure a long-term market outlet for Western Canadian producers. Home Oil Company Limited continues to hold 1,291,885 Common Shares and 150,000 - \$2.75 Cumulative Redeemable Convertible Preferred Shares - Series A of Trans-Canada Pipe Lines Limited.

## Redemption of Convertible Debentures

We would also like to draw your attention to our recent announcement that the Company was calling for redemption its 5½% Convertible Subordinated Debentures due December 1, 1984. These Debentures are convertible into Class A Shares of the Company at a price of \$20.00 per share. If, as expected, these Debentures are fully converted into Class A Shares, the Company's long term debt will be reduced substantially with a corresponding strengthening in its equity base. The Company's over-all cash flow will be significantly improved as the reduction in interest charges and sinking fund payments on these Debentures will be substantially greater than the increase in dividend payments on the added number of shares which will be outstanding. (The next dividend on Home shares will be paid on January 1, 1969.)

## Sale of Securities

Thus far in 1968, the Company has sold certain securities for a total consideration of \$14,224,000 and has realized a gain of \$3,271,000.



President

Calgary, Alberta  
October 7, 1968



HOME OIL COMPANY  
LIMITED

## SPECIAL REPORT

to the

## SHAREHOLDERS

CALGARY, ALBERTA

OCTOBER 7, 1968



# HOME OIL COMPANY LIMITED

## TO THE SHAREHOLDERS:

Net earnings before special credit were \$2,312,000 or 45 cents per share for the first half of 1968 as compared with \$2,116,000 or 42 cents per share for the same period of 1967. In addition, during the first six months of 1968 the Company realized a gain of \$352,000 or 7 cents per share from the sale of securities. Net flow of funds from operations amounted to \$6,062,000 or \$1.18 per share, an increase of 16.6% over the \$5,198,000 or \$1.03 per share generated during the same period last year. Gross revenue from operations and investments was \$12,526,000 for the first half of 1968, an increase of 11.9% over gross revenue of \$11,196,000 in 1967. Home's increased revenue results from a higher demand for Canadian crude, increased sales of natural gas and higher natural gas liquids sales due to the Carstairs natural gas liquids recovery facilities being on stream for the entire first half of 1968. Sales of sulphur to June 30, 1968 were less than last year, however, increased sales during the last half of the year are forecast to bring sulphur sales for the year to a level in excess of the quantity sold in 1967.

During the second quarter, the Company exercised its right to purchase 161,486 \$2.75 Cumulative Redeemable Convertible Preferred shares of Trans-Canada Pipe Lines Limited for a cost of \$8,074,300. In June, 8,468 of these shares were sold.

Crude oil and natural gas liquids production increased 14.0% to 15,734 barrels per day from 13,802 barrels per day in 1967. Natural gas sales averaged 68.7 million cubic feet per day, compared with 58.2 million cubic feet in 1967. Sulphur sales amounted to 17,923 long tons as compared with 26,220 long tons for the same period last year.

The financial statements in this report include the results of Union Petroleum Corporation for the three months ended June 30, 1968 with comparative figures for the prior year. Union was acquired in April, 1968 and because this acquisition has been accounted for as a pooling of interest, Union's financial results for the three months ended June 30, 1967 are included with Home's comparative financial results for the prior year. Historically, Union experiences losses each year during the period from April through to the commencement of the heating season in November. This is due to the fact that wholesale L.P.G. marketing companies like Union pay the costs of acquiring and storing product during this period and do not experience a large sales volume until the months of December through March. Because of this situation, Union Petroleum Corporation incurred losses of approximately \$200,000 for the three months ended June 30, 1968 and for the same period in 1967. In order to facilitate financial reporting it will be necessary to change Union Petroleum Corporation's year-end from March 31, 1969 to December 31, 1968. This will have the effect of reducing the profits of Union in 1968.

Your Company continues to carry on an active exploration program in Western Canada and in the United Kingdom. Exploration expenditures for 1968 are expected to be in excess of \$8.5 million which is the highest level of exploration expenditure in the Company's history. Plans to drill the first well in the North Sea have been postponed at least until 1969.

Discussions were held in the United Kingdom during June with the Gas Council relating to the evaluation of the Lockton reservoir and the proposed agreement for the sale of gas. The Company is currently awaiting receipt of Gas Council's proposed agreements and once these have been studied by Home, negotiations will resume. It is felt that the earliest that Lockton gas will be sold will be in the fall of 1970.

Two major United States oil companies have recently announced a significant discovery on the north slope of Alaska. Recoverable reserves of from 5 to 10 billion barrels in the field discovered have been estimated. If the estimated reserves became a reality, this will serve to narrow the gap between demand and supply of crude oil in the United States resulting in less reliance upon foreign crude. Your Company does not feel however that the special status granted Canadian crude by the United States Government will be affected.



Calgary, Alberta  
August 12, 1968

President



# HOME OIL COMPANY LIMITED AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF EARNINGS

For the Six Months ended June 30, 1968

REVENUE	1968	1967
Operating revenue .....	\$10,756,000	\$ 9,698,000
Interest and dividends .....	1,770,000	1,498,000
	<u>12,526,000</u>	<u>11,196,000</u>
EXPENSE		
Operating expense .....	1,717,000	1,551,000
General and administrative expense .....	1,787,000	1,627,000
Amortization .....	1,532,000	1,295,000
Depreciation .....	748,000	741,000
Interest and expense on long term debt .....	2,944,000	2,826,000
Other interest .....	338,000	35,000
	<u>9,066,000</u>	<u>8,075,000</u>
Net earnings before deferred income taxes .....	3,460,000	3,121,000
DEFERRED INCOME TAXES .....	1,148,000	1,005,000
NET EARNINGS before special credit .....	2,312,000	2,116,000
SPECIAL CREDIT – gain on sale of securities .....	352,000	—
NET EARNINGS .....	<u>\$ 2,664,000</u>	<u>\$ 2,116,000</u>
NET EARNINGS PER SHARE .....	<u>\$ 0.52</u>	<u>\$ 0.42</u>



# CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

For the Six Months ended June 30, 1968

## FUNDS WERE OBTAINED FROM

	1968	1967
Net earnings .....	\$ 2,664,000	\$ 2,116,000
Add charges to earnings not requiring funds including depreciation, amortization and deferred income taxes	3,398,000	3,082,000
Net flow of funds from operations .....	6,062,000	5,198,000
Long term borrowings – net .....	125,000	17,000
Issuance of capital stock .....	662,000	98,000
	<u>\$ 6,849,000</u>	<u>\$ 5,313,000</u>

## FUNDS WERE USED FOR

Property, plant and equipment .....	\$ 4,463,000	\$ 6,362,000
Investment in Trans-Canada Pipe Lines Limited – net ..	7,508,000	–
Repayment of long term debt .....	3,161,000	1,665,000
Dividends .....	1,534,000	1,486,000
Investments and advances – net .....	(1,591,000)	2,107,000
	<u>15,075,000</u>	<u>11,620,000</u>
Increase (decrease) in working capital .....	(8,226,000)	(6,307,000)
	<u>\$ 6,849,000</u>	<u>\$ 5,313,000</u>



# FINANCIAL AND OPERATING HIGHLIGHTS

## FINANCIAL

(Dollars in thousands except per share amounts)

	First Half	
	1968	1967
Net earnings before		
special credit .....	\$ 2,312	\$ 2,116
Per share .....	\$ .45	\$ .42
Special credit .....	\$ 352	\$ —
Per share .....	\$ .07	\$ —
Net flow of funds		
from operations .....	\$ 6,062	\$ 5,198
Per share .....	\$ 1.18	\$ 1.03
Balance Sheet Items at June 30		
Working capital (deficiency) .	\$ (11,009)	\$ (434)
Investments in other		
companies .....	\$ 70,123	\$ 53,996
Property, plant and		
equipment — net .....	\$108,733	\$105,678
Long term debt (less current		
maturities) .....	\$ 88,039	\$ 86,028
Deferred income taxes .....	\$ 19,549	\$ 17,315
Capital stock .....	\$ 35,753	\$ 34,395
Retained earnings .....	\$ 26,238	\$ 23,088
Other assets and deferred		
charges .....	\$ 1,732	\$ 1,586

## OPERATING

Production and Sales		
Crude oil and natural gas		
liquids production —		
barrels per day .....	15,734	13,802
Natural gas sales —		
thousands of cubic		
feet per day .....	68,668	58,244
Sulphur sales —		
long tons .....	17,923	26,220
Daily Average Pipe		
Line Gatherings		
Cremona Pipe Line Division..	39,633	34,410
Federated Pipe Lines Ltd. ....	158,083	141,435

HOME OIL COMPANY  
LIMITED

## INTERIM REPORT

to the

## SHAREHOLDERS

For the First Half of 1968

CALGARY, ALBERTA

AUGUST 12, 1968



the glow from the flares in the pines

## OUR FORTIETH YEAR

There's the old house down by the river, the one  
that started the city pattern of the street, the house  
that's been there since the first day.

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# OUR FORTIETH YEAR

40TH ANNUAL MEETING  
DARTMOUTH

INTERIM REPORT  
to the  
SHAREHOLDERS  
For the First Half of 1968

91633  
158083

CALGARY, ALBERTA

AUGUST 12, 1968

the glow from the flares lit the prairies...

This is the 40th Annual Report of Home Oil Company Limited and this portion of the report is a review of highlights from these 40 years.

For the first 25 years of its existence, Home Oil was directed by a pioneer of the Canadian oil industry, Major James R. Lowery. Under Major Lowery, the Company was active and successful in the early days of Turner Valley. Following the economic collapse of 1929 Home Oil was dormant until the discovery of crude oil by the Turner Valley Royalties #1 well in 1936. The Company was then reactivated and drilled more than 40 successful oil wells in the north end of the field.

Turner Valley Royalties Limited was organized in 1934 by R. A. Brown, Sr., G. M. Bell and J. W. Moyer. With the Turner Valley Royalties success in 1936, R. A. Brown, Jr., current president of Home Oil, became actively engaged in the oil industry, through the formation of Brown, Moyer and Brown Limited. Federated Petroleum, Ltd., was incorporated in 1938 to consolidate the holdings of the Brown family. In 1951 Federated Petroleum became the largest shareholder of Home Oil and in 1955 these two pioneer companies were amalgamated into a single unit – Home Oil Company Limited.

Following the union with Federated, Home Oil entered a most expansive and productive era. It participated in the discoveries of the Erskine, Harmattan-Elkton, Westward Ho, Swan Hills and Virginia Hills

oil fields and the Nevis and Carstairs gas fields. These discoveries paved the way for the building of the Cremona and Federated pipe line systems and several gas processing plants.

Recently, the Company participated in the construction of a liquefied petroleum gas storage and processing plant at Hardisty and acquired a subsidiary engaged in the marketing and transportation of liquefied petroleum gases. The Company has been a major shareholder of Trans-Canada Pipe Lines Limited for more than ten years.

In 1963 the Company expanded its exploration activities to the United Kingdom by acquiring large land holdings in Yorkshire. A year later exploration rights were obtained on two blocks in the North Sea. An important natural gas discovery was made on the Yorkshire properties in 1966 with the drilling of the Lockton 2A well. Plans for a plant to process this gas are being finalized and it is anticipated that gas will be marketed in 1970.

In 1968 the attention of the petroleum world focused on the North Slope of Alaska with the discovery, by Atlantic Richfield and Humble Oil, of what is one of the largest petroleum accumulations known in the world today. As the fortieth year drew to a close, Home Oil secured a position in the North Slope area through the acquisition of substantial land holdings and a large investment in shares of Atlantic Richfield Company.





## HIGHLIGHTS

- Gross revenue up 5.2%
- Daily crude oil production up 8.3%
- Daily natural gas liquids production up 21.3%
- Daily natural gas sales up 10.2%
- The Company acquired 331,000 shares of Atlantic Richfield Company in 1968
- 1,005,605 Class A shares issued on conversion of 5½% Convertible Subordinated Debentures
- The Company acquired substantial landholdings in the North Slope area of Alaska

## A Comparative Summary

	1968	1967
Gross Revenue .....	\$ 25,405,000	\$24,158,000
Net Flow of Funds from Operations .....	\$ 11,610,000	\$11,130,000
Per Share .....	\$ 2.16	\$ 2.20
Net Earnings .....	\$ 10,796,000	\$ 5,184,000
Per Share .....	\$ 2.01	\$ 1.02
Number of Shareholders .....	13,200	13,000
Average Shares Outstanding .....	5,363,000	5,059,000
Working Capital (Deficiency) .....	\$ (42,315,000)	\$ (3,529,000)
Exploration Expenditures .....	\$ 15,282,000	\$ 6,597,000
Development Expenditures .....	\$ 1,883,000	\$ 2,723,000
Production and Sales		
Crude Oil Production — barrels per day .....	13,118	12,115
Natural Gas Liquids Production — barrels per day .....	2,639	2,176
Natural Gas Sales — thousand cubic feet per day .....	67,237	61,033
Sulphur Sales — long tons .....	38,182	42,182
Pipeline Gatherings		
Cremona Pipe Line Division — barrels per day .....	39,268	37,193
Federated Pipe Lines Ltd. — barrels per day .....	156,001	140,235

## To the Shareholders of Home Oil Company Limited

On behalf of the Board of Directors, I am pleased to present the fortieth Annual Report of Home Oil Company Limited.

### Financial

In 1968, a number of interesting and important financial developments highlighted the year's activities. Gross revenue from all sources reached an all-time high of \$25,405,000, an increase of \$1,247,000 or 5.2% over 1967.

Net earnings before the extraordinary item were \$4,453,000 for the year or \$0.83 per share, compared with \$4,923,000 or \$0.97 per share in 1967. The 1967 figures have been adjusted to reflect the earnings of

Union Petroleum Corporation accounted for on the pooling of interest basis and detailed in other sections of this report. In addition, the 1968 figures reflect the issuance of 1,011,205 common shares during the year. The extraordinary item of \$6,343,000 in 1968 arose from the sale of certain investments, including the Company's entire holdings of Union Gas Company of Canada, Limited, the Convertible Preferred Shares of Trans-Canada Pipe Lines Limited and 52,560 common shares of Sinclair Oil Corporation. Net earnings for the year including the extraordinary item increased 108% to \$10,796,000 or \$2.01 per share, compared with \$5,184,000 or \$1.02 per share in 1967.

Net flow of funds from operations was \$11,610,000 or \$2.16 per share compared with \$11,130,000 or \$2.20



per share in 1967. Dividends amounting to 50 cents per share were again declared on both Class A and Class B shares.

During the year, the Company's 5½% Convertible Subordinated Debentures were converted into Class A shares resulting in a reduction in long term debt of \$20,363,000. A total of 1,005,605 shares were issued in connection with the conversion.

Late in 1968 and early in 1969 the Company purchased 335,872 common shares of Atlantic Richfield Company at a cost of \$36,982,000 (U.S.) In addition during this period 106,000 shares of Sinclair Oil Corporation were purchased and 52,560 of these shares were sold to Atlantic Richfield pursuant to its offer to purchase shares of Sinclair. As a result of the merger of these two companies in March of 1969, the remaining shares of Sinclair will be exchanged for shares of Atlantic. As a result of the exchange, the Company will acquire an additional 32,064 common shares and 53,440 \$2.80 Cumulative Convertible Preference Stock of Atlantic Richfield. The Preference Stock is convertible into a further 32,064 common shares. Accordingly, Home's total investment in Atlantic Richfield Company stands at the equivalent of 400,000 common shares acquired at a cost of \$43,476,000 (U.S.) or approximately \$108.70 (U.S.) per share. These additional investments bring the total value of Home's shareholdings in other companies to over \$100 million.

In February of 1969 the Company completed the sale of 900,000 Class A shares in the United States and applied the net proceeds of approximately \$39 million (Canadian) to reduce bank loans which were incurred largely in connection with land acquisitions in Alaska and the investment in Atlantic Richfield. The Directors felt that a Class A share offering in the United States was the most attractive method of raising additional funds in view of the substantial premium that Class A shares enjoyed in the U.S. market.

## Exploration

During 1968 the Company conducted the most aggressive exploration program in its 40-year history. The Company's effort concentrated on land acquisitions in prominent exploration areas in Canada and Alaska. The geophysical program was the largest in the Company's history.

## Canada

The Company's land program in Canada resulted in the acquisition of 280,000 gross acres. In Alberta 217,000 gross acres were added in the Turner Valley, West Obed, Dunvegan, Notikewin, Westlock, Ferrier and Brazeau areas. In British Columbia the Company acquired 63,000 acres in the Red Creek, Liard River and Moberly Lake areas.

The geophysical program was concentrated in the Bitscho, Steen River, Meander River and West Rainbow areas of northwestern Alberta. Additional surveys were conducted in several other areas of Alberta. Home continued its exploration of the Winnipegosis (Keg River) trend, with geophysical programs in the Winefred Lake and Meadow Lake areas of Saskatchewan.

The Company participated in the drilling of 25 exploratory wells in Canada, of which 18 were in Alberta, six in Saskatchewan and one in British Columbia. Drilling resulted in three gas discoveries located in the Greencourt and Whitecourt areas of Alberta and the Fort St. John area of British Columbia.

In addition to the above, 19 exploratory wells were drilled on Company land by others, under various farmout arrangements. This drilling resulted in two oil wells and one gas well. Subsequent development drilling has been successful on some of these farmout properties.

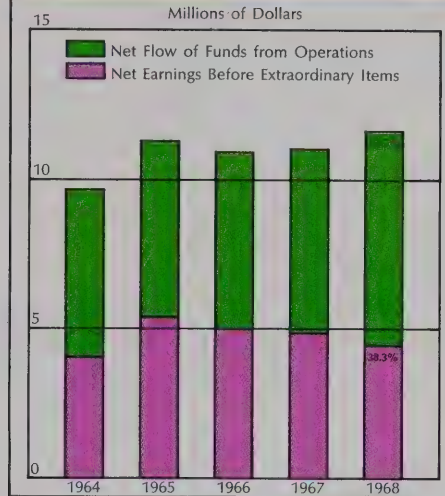
The pilot project, located 130 miles northeast of Edmonton at Cold Lake, Alberta, for the recovery of heavy crude oil by thermal injection methods commenced operations late in the year. This project is being conducted, at no cost to Home Oil, upon lands farmed out by the Company. Home will have a 25% interest in production resulting from this scheme.

The Company continued its mineral exploration activities through participation in four syndicates. Exploration was conducted primarily for copper, uranium, and silver in British Columbia, the Yukon, southern Alaska, and Ontario. The Company intends to continue mineral exploration in 1969.

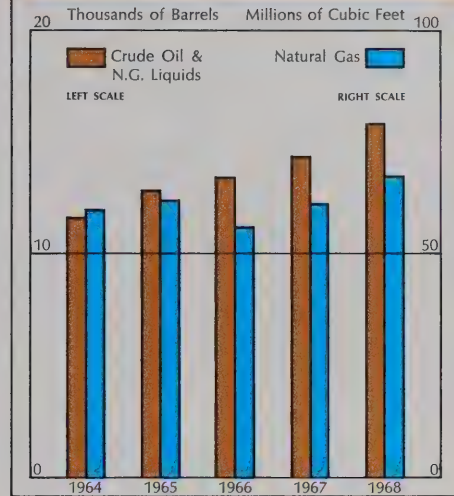
## Alaska

The most outstanding development in the petroleum world in recent years was the oil discovery, in 1968, by Atlantic Richfield and Humble Oil, at Prudhoe Bay

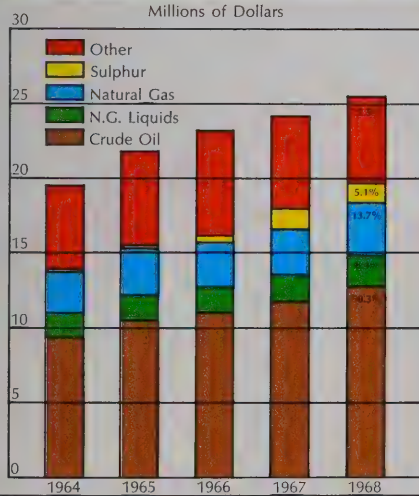
## NET EARNINGS AND FLOW OF FUNDS



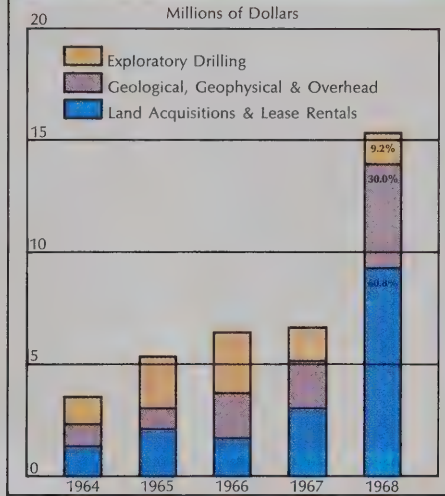
## NET AVERAGE DAILY PRODUCTION



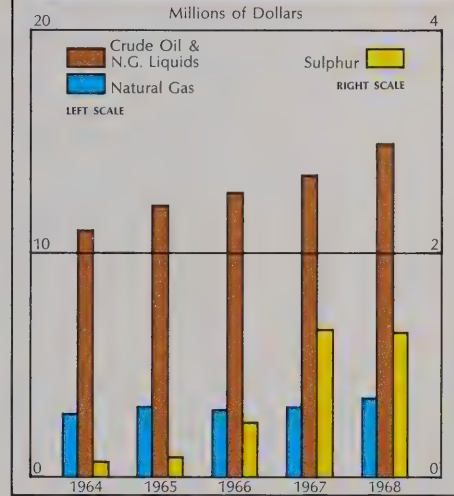
## GROSS REVENUE



## EXPLORATION EXPENDITURES



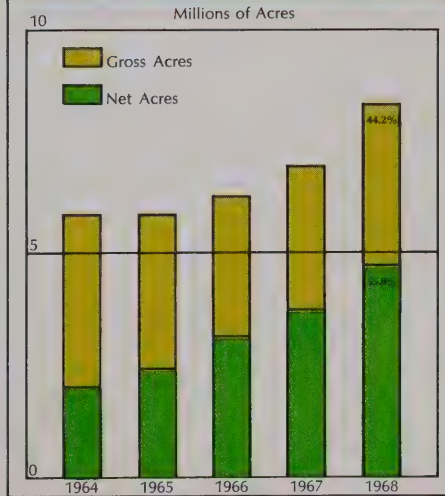
## NET PRODUCT SALES



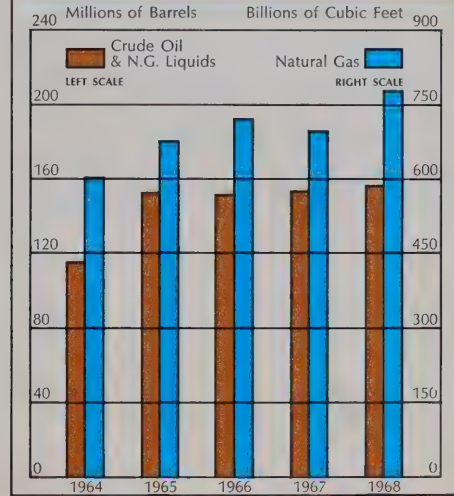
## SHAREHOLDER'S EQUITY



## EXPLORATION ACREAGE



## PROVEN RESERVES





on the North Slope of Alaska. The reservoir is one of the world's largest known accumulations of oil. Subsequent to the discovery, Home Oil's U.S. subsidiary, Home Oil Company of Canada, acquired a 100% interest in 165,829 acres of Federal leases, 113,716 acres of priority applications for leases and 7,680 acres of State leases for a total of 287,225 acres, all located in the North Slope area.

In the latter part of 1968 Home Oil Company of Canada entered into an important farmout agreement with the Atlantic Richfield Company. Under this agreement, Home may earn a 50% interest in 313,000 acres and a 25% interest in another 137,000 acres. These lands extend to within 30 miles of the Prudhoe Bay discoveries. The terms of the farmout agreement require Home Oil Company of Canada to spend a total of \$23,000,000 (U.S.) in a two stage program. As part of the first stage, a cash payment of \$3,000,000 (U.S.) was made to Atlantic Richfield. To complete the first stage of the program, Home must spend a further \$8,000,000 (U.S.) by November 30, 1970. Included in this latter figure is the cost of drilling the Nora Federal No. 1 well (shown on the map on page 19) and additional drilling and geophysical expenditures. Equipment is currently being flown to the well-site and drilling of the Nora well will commence before the end of March 1969.

After completing the obligations of stage one, Home may withdraw from the farmout agreement without earning any interest in the lands, or may elect to spend a further \$12,000,000 (U.S.) to earn its interest. Of this amount, one half may be spent on development should production be found.

Early in 1969, the Company commenced geophysical exploration on the farmout lands as well as on some of its own leases contained in the Sagavan Development Contract area. (See map on page 19). Home plans to participate in the State land sale to be held late in 1969.

#### **United Kingdom**

The Company's second successful gas well in the Lockton area of Yorkshire found 128 feet of net pay in the Middle Magnesian Carbonate and flowed at the rate of 33.5 million cubic feet per day. This well, Lockton 7, is located one mile east of the Lockton 2A

discovery well. Additional seismic control was obtained early in 1969 prior to selecting another drilling location.

All properties held in Yorkshire, England were renewed in 1968 as landward production licenses with a term of six years. These properties cover 931,589 acres in which Home has a 50% working interest (subject to a royalty interest). A seismic crew was operated in the southeastern portion of the area, seeking a repetition of the Lockton type natural gas reservoir. The Company intends to resume this survey in March of 1969.

An exploratory well will be drilled three miles west of the Company's capped gas well, Ralphs' Cross No. 1. The Ralphs' Cross well is located 16 miles northwest of Lockton 2A. Drilling should commence early in 1969.

The U.K. subsidiary has entered into an agreement for the use of the semi-submersible drilling vessel, the Ocean Traveler. This vessel will be utilized to drill two wells in 1969, one on each block of licenses held in the North Sea. These licenses comprise 748,283 gross acres in which the Company's interest is 50%.

Negotiations are continuing with the Gas Council of the United Kingdom for sale of natural gas from the Lockton field. A successful conclusion to these negotiations is anticipated in 1969 and this should enable sales to commence in 1970. Plans are underway for construction of a natural gas plant in the Lockton area.

#### **Production and Processing**

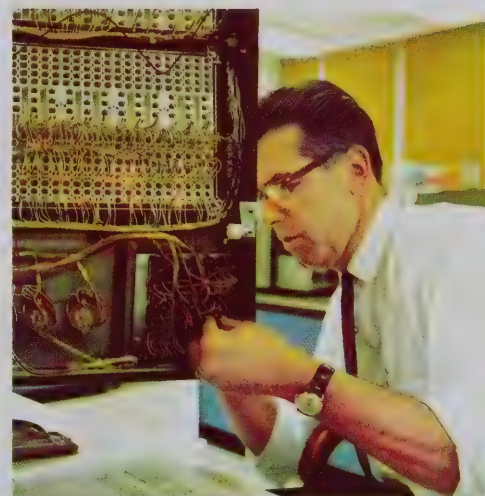
Net daily sales of crude oil, natural gas liquids and oil equivalent of natural gas increased 10.2% to 19,117 barrels, compared to 17,343 barrels in 1967.

Crude oil production averaged 13,118 barrels per day, an increase of 8.3% over the 1967 average of 12,115 barrels per day. Swan Hills accounted for 49% of the Company's crude oil production in 1968 compared to 45% in 1967. This increase reflects the partial implementation of the Alberta prorationing program. Under this program, which is based on field reserves, production from fields such as Swan Hills should remain high, while declines will be experienced in low reserve fields.

Right - Liquefied petroleum gas tank trucks, Tulsa, Oklahoma.

Below right - Liquefied petroleum gas storage spheres, Carstairs, Alberta.

Below - View of fractionation facilities at natural gas processing plant, Carstairs, Alberta.



Left - Alignment check of pipeline pumping equipment, Swan Hills, Alberta.

Above - Technical maintenance on IBM 360/30 console.



Natural gas liquids production increased 21.3% to 2,639 barrels per day in 1968 compared to 2,176 barrels per day in 1967. This increase reflected the first full year of operation of the expanded Carstairs-Crossfield liquefied petroleum gas recovery facilities.

Natural gas sales increased 10.2% to 67.2 million cubic feet per day in 1968 compared to 61.0 million cubic feet per day in 1967. The major portion of this increase came from the Carstairs and Jumping Pound fields.

Sulphur sales amounted to 38,182 long tons in 1968 as compared to 42,182 long tons in 1967. The decrease in sulphur sales is attributable to an over-supply situation in world markets. The Company's production of sulphur increased during 1968 and inventories at the year end were equivalent to approximately four months production. A large portion of the increased sulphur production resulted from improved efficiency at the Harmattan Leduc Plant.

Increased demands for natural gas from Alberta will have a favorable effect upon the Company's natural gas sales in future years. The quantities to be delivered under our contracts for gas from Carstairs and Nevis will be increased by 19% commencing November 1, 1969. The increased sales will require the Carstairs-Crossfield and Nevis plants to be expanded in 1969. During the year contracts were signed for the sale of gas from reserves in the Marten Hills, Whitecourt, Mitsue and Brazeau fields. Sales will commence November 1, 1969 and will necessitate the construction of new plants to process the gas.

### **L.P.G. Marketing**

In April of 1968 the Company acquired all outstanding shares of Union Petroleum Corporation in exchange for 101,085 Class A shares of Home Oil Company Limited. Union is a large U.S. wholesale marketer of liquefied petroleum gas (L.P.G.) and operates widely in the United States. This company was previously associated with Home Oil through the joint ownership of Can-Am Liquids Ltd., a wholesale L.P.G. marketing company, and Can-Am Transportation, Inc., an L.P.G. transportation company. Union and its subsidiaries, marketed in excess of 220,000,000 (U.S.) gallons of product during 1968. Product is transported to market by Union's large fleet of over 400 railway jumbo tank cars as well as its fleet of large tank trucks.

The operating results of the L.P.G. groups for 1968 were disappointing due to the extreme over-supply situation which developed during the year. However it has been possible to take certain corrective action and, although 1969 will be another year of over-supply and depressed prices, Union and its subsidiaries are expected to make a contribution to the 1969 earnings. It is anticipated that these earnings will show excellent growth in the years ahead.

Home Oil increased its participation in Hardisty Storage Ltd. and now holds a fifty percent interest. The Hardisty facilities, which include butane fractionation and underground storage of butane and propane, are considered essential to successful liquefied petroleum gas marketing. The underground storage facilities at Hardisty were doubled to 1,200,000 barrels during 1968. Further expansion of these facilities is in progress.

### **Pipelines**

All pipelines in which Home Oil has an interest increased throughputs in 1968. The Cremona Pipe Line Division, which handles crude oil, condensate and butane, gathered 39,268 barrels per day, an increase of 5.6% over the 37,193 barrels per day handled in 1967.

Federated Pipe Lines Ltd., 50 percent owned by the Company, increased its throughput 11.2% to an average of 156,001 barrels per day from 140,235 barrels in 1967. The additional throughput resulted from increased crude oil allowables in the Swan Hills area and the recovery of underproduction from 1967. Present capacity of the system is 185,000 barrels per day. Work has commenced to enlarge two of the three main line pump stations and will increase capacity to 197,000 barrels per day.

Mitsue Pipe Line Ltd., which is operated by another company, handled an average daily throughput of 24,375 barrels compared with 24,274 barrels in 1967. Home Oil has a one third interest in Mitsue Pipe Line Ltd.

### **Reserves**

The Company's proven reserves of crude oil and natural gas increased during the year. The increase in crude oil reserves is primarily due to the installation

of pressure maintenance facilities in a major portion of the Mitsue field. Natural gas reserves increased 11% mainly due to the inclusion of reserves at Lockton in the United Kingdom and further development of the Whitecourt field.

Reserves of natural gas liquids and sulphur declined in 1968 after allowance for the current year's production.

A schedule of the Company's reserves at January 1, 1969 may be found on page 16.

### Employees

It is again my pleasure to express the appreciation of the Board of Directors for the effort and accomplishments of the staff. These efforts and accomplishments contribute immeasurably towards the success of this Company.

At year end, the Company had 522 employees on staff, an increase for the year of 49 employees. This increase in staff resulted from the acquisition of Union Petroleum Corporation in April of 1968. Gross wages and salaries amounted to \$4,919,000, an increase of 16% over 1967. During the year, the Company contributed \$494,000 to the Employee Benefit Program. The program includes comprehensive medical care, hospitalization, group life, income protection, savings and pension benefits. The coverages are continually revised to insure a competitive position.

At the end of 1968, \$4,762,000 was held by the Pension Trustee under the terms and conditions of the Pension Plan. At the present time 24 former employees or beneficiaries are receiving benefits under the plan.

### Outlook

The discovery in 1968 of crude oil in the Prudhoe Bay area of Alaska will have a profound effect on the Canadian petroleum industry. The addition to the United States domestic supply of a vast new reservoir of crude oil has altered the outlook for future markets of Canadian crude. The Company considered that participation to the fullest possible extent in developments in the area was vital. Accordingly it was decided to participate in two ways. Firstly, large blocks of exploration acreage, including a farmout from Atlantic

Richfield Company, were acquired. Secondly, a substantial investment was made in the common shares of Atlantic Richfield. A most important aspect of the farmout from Atlantic Richfield is the provision that Atlantic will purchase, at its posted field prices, Home's share of all oil production from the farmout acreage.

Home Oil is confident that the potential exists for a healthy growth in long term markets for Canadian crude. The United States is increasingly relying on Canada for its growing needs for natural gas. Prodigious efforts must be made immediately by our industry and governments to insure that Canadian crude will supply its fair share of the North American market. Canada's share of this market is being threatened by the recent discoveries of huge reserves in Alaska and by the proposed unwarranted construction of Eastern Canadian refineries which will use foreign crude.

Due to the present and future demand for natural gas, future exploration in Western Canada will concentrate in the search for potential gas reservoirs. As a result, a large percentage of the exploration budget will be so allocated.

\* \* \*

It is with profound regret that your Directors record the passing of Mr. J. W. Moyer, the Chairman of the Board. Mr. Moyer's participation in the oil industry of Alberta began in the 1920's. He was a partner of R. A. Brown, Sr. and G. M. Bell in Turner Valley Royalties, whose discovery launched the Turner Valley boom of 1936. He was an officer and director of the predecessor companies of Home Oil and was President of the Company from 1952 until 1955 when he was appointed Chairman of the Board. His sound judgment based on his broad experience in the industry will be greatly missed by his associates.

Submitted on behalf of the Board of Directors,



President and Managing Director

March 4, 1969  
Calgary, Alberta



## Auditors' Report

TO THE SHAREHOLDERS  
HOME OIL COMPANY LIMITED

We have examined the consolidated balance sheet of Home Oil Company Limited and its subsidiaries as at December 31, 1968 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1968 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta  
February 28, 1969.

RIDDELL, STEAD, GRAHAM & HUTCHISON  
Chartered Accountants

## Consolidated Statement of Source and Use of Funds

For the year ended December 31, 1968

	<u>1968</u>	<u>1967</u> (Note 2)
FUNDS WERE OBTAINED FROM		
Net earnings before extraordinary item .....	\$ 4,453,000	\$ 4,923,000
Add charges to earnings not requiring funds including depreciation, depletion and deferred income taxes .....	7,157,000	6,207,000
Net flow of funds from operations .....	11,610,000	11,130,000
Sale of investments .....	19,285,000	261,000
Issuance of capital stock .....	103,000	796,000
Long term borrowings – net .....	–	7,610,000
	<u>\$30,998,000</u>	<u>\$19,797,000</u>
FUNDS WERE USED FOR		
Property, plant and equipment .....	\$18,514,000	\$ 9,397,000
Repayment of long term debt .....	6,129,000	3,952,000
Dividends .....	2,875,000	2,481,000
Investments		
Atlantic Richfield Company .....	39,183,000	–
Sinclair Oil Corporation .....	2,789,000	–
Union Gas Company of Canada, Limited .....	–	9,656,000
Other investments .....	294,000	2,604,000
	69,784,000	28,090,000
Decrease in working capital .....	38,786,000	8,293,000
	<u>\$30,998,000</u>	<u>\$19,797,000</u>

The accompanying notes are an integral part of this financial statement.

Balance sheet of Home Oil Company Limited and its subsidiaries as at  
statements of earnings, retained earnings and source and use of  
information included a general review of the accounting procedures and  
supporting evidence as we considered necessary in the circumstances.

Financial statements present fairly the financial position of the companies  
of their operations and the source and use of their funds for the year  
accepted accounting principles applied on a basis consistent with that

RIDDELL, STEAD, GRAHAM & HUTCHISON  
Chartered Accountants

## Source and Use of Funds

	<u>1968</u>	<u>1967</u> (Note 2)
by item .....	\$ 4,453,000	\$ 4,923,000
requiring funds including and deferred income .....	7,157,000	6,207,000
ions .....	11,610,000	11,130,000
.....	19,285,000	261,000
.....	103,000	796,000
.....	—	7,610,000
	<u>\$30,998,000</u>	<u>\$19,797,000</u>
.....	\$18,514,000	\$ 9,397,000
.....	6,129,000	3,952,000
.....	2,875,000	2,481,000
.....	39,183,000	—
.....	2,789,000	—
a, Limited .....	—	9,656,000
.....	294,000	2,604,000
	<u>69,784,000</u>	<u>28,090,000</u>
.....	38,786,000	8,293,000
	<u>\$30,998,000</u>	<u>\$19,797,000</u>

part of this financial statement.

## Consolidated Statement of Earnings

For the year ended December 31, 1968

	<u>1968</u>	<u>1967</u> (Note 2)
REVENUE		
Operating revenue .....	\$21,678,000	\$20,857,000
Interest and dividends .....	3,727,000	3,301,000
	<u>25,405,000</u>	<u>24,158,000</u>
EXPENSE		
Operating .....	3,634,000	3,371,000
General and administrative .....	3,975,000	3,814,000
Depletion .....	3,147,000	2,637,000
Depreciation .....	1,546,000	1,426,000
Interest and expense on long term debt .....	5,178,000	5,574,000
Other interest .....	1,089,000	397,000
	<u>18,569,000</u>	<u>17,219,000</u>
Net earnings before deferred income taxes .....	6,836,000	6,939,000
DEFERRED INCOME TAXES .....	2,383,000	2,016,000
NET EARNINGS before extraordinary item .....	4,453,000	4,923,000
EXTRAORDINARY ITEM		
Gain on sale of investments — net (Note 7) .....	6,343,000	261,000
NET EARNINGS .....	<u>\$10,796,000</u>	<u>\$ 5,184,000</u>
EARNINGS PER SHARE		
Net earnings before extraordinary item .....	\$ .83	\$ .97
Extraordinary item .....	1.18	.05
Net earnings .....	<u>\$2.01</u>	<u>\$1.02</u>

## Consolidated Statement of Retained Earnings



For the year ended December 31, 1968

	<u>1968</u>	<u>1967</u> (Note 2)
BALANCE at beginning of year .....	\$25,107,000	\$22,404,000
Net earnings .....	10,796,000	5,184,000
	<u>35,903,000</u>	<u>27,588,000</u>
Dividends declared		
Class A shares .....	1,728,000	1,344,000
Class B shares .....	1,147,000	1,137,000
	<u>2,875,000</u>	<u>2,481,000</u>
BALANCE at end of year .....	<u>\$33,028,000</u>	<u>\$25,107,000</u>

The accompanying notes are an integral part of these financial statements.



# **CONSOLIDATED BALANCE SHEET** as at December 31, 1968

ASSETS			LIABILITIES		
	1968	1967		1968	1967
		(Note 2)			(Note 2)
CURRENT ASSETS			CURRENT LIABILITIES		
Cash .....	\$ 4,901,000	\$ 5,253,000	Bank indebtedness – secured by investments .....	\$ 44,064,000	\$ 8,904,000
Marketable securities, at cost (quoted market value \$52,000) .....	67,000	628,000	Accounts payable and accrued charges .....	6,461,000	5,221,000
Accounts receivable .....	7,381,000	7,672,000	Dividends payable .....	1,980,000	1,614,000
Inventory of liquefied petroleum gas at lower of cost or realizable value .....	1,018,000	794,000	Current maturities on long term debt .....	3,177,000	2,137,000
	<u>13,367,000</u>	<u>14,347,000</u>		<u>55,682,000</u>	<u>17,876,000</u>
INVESTMENTS, at cost (Note 3)			LONG TERM DEBT (Note 10) .....	64,092,000	90,333,000
Trans-Canada Pipe Lines Limited .....	32,617,000	33,470,000	DEFERRED INCOME TAXES (Note 5) .....	20,801,000	18,415,000
Calgary Power Ltd. ....	13,516,000	13,516,000			
Atlantic Richfield Company .....	39,183,000	–			
Sinclair Oil Corporation .....	2,789,000	–			
Union Gas Company of Canada, Limited .....	–	9,656,000			
Other investments .....	5,318,000	7,475,000			
	<u>93,423,000</u>	<u>64,117,000</u>			
PROPERTY, PLANT AND EQUIPMENT,					
at cost (Note 9) .....	177,637,000	159,509,000			
Accumulated depletion and depreciation .....	56,956,000	52,711,000			
	<u>120,681,000</u>	<u>106,798,000</u>			
OTHER ASSETS AND DEFERRED CHARGES					
Unamortized debt financing expense .....	312,000	909,000			
Miscellaneous .....	578,000	652,000			
	<u>890,000</u>	<u>1,561,000</u>			
Approved on behalf of the Board:					
 Director					
 Director					
	<u>\$228,361,000</u>	<u>\$186,823,000</u>		<u>\$228,361,000</u>	<u>\$186,823,000</u>

The accompanying notes are an integral part of this financial statement.

# Notes to Consolidated Financial Statements as at December 31, 1968

## 1. ACCOUNTING POLICIES

### (i) Principles of Consolidation

The consolidated financial statements include the accounts of all companies in which the Company has ownership of more than 50% of the voting capital stock. These include the following wholly-owned subsidiaries: Home Oil (Alberta) Ltd., Home Oil Company of Canada, Home Oil of Canada Limited, Home Oil Pipe Lines Ltd., Home Marketing Limited, Cremona Pipe Lines Ltd., Independent Pipe Line Company, Union Petroleum Corporation and its wholly-owned subsidiaries, Can-Am Liquids Co. Ltd., Can-Am Transportation, Inc. and National Asphalt Fuel Corporation, and the following substantially owned subsidiaries: Coastal Oils Limited, Foothills Oil and Gas Company, Limited, and United Oils, Limited, and its wholly-owned subsidiary, Madison Oils, Inc.

Current assets and current liabilities of foreign subsidiaries were converted to Canadian dollars using the exchange rate at the date of the balance sheet. Fixed assets of all subsidiaries were converted at the rate in effect at the time the assets were acquired, except for assets held by Home Oil of Canada Limited (a U.K. subsidiary) which were converted at the rate of exchange resulting from the devaluation of the pound sterling on November 18, 1967. Revenue and expense items were converted using the average rate of exchange for the year.

### (ii) Full Cost Method of Accounting

The Company and its subsidiaries follow the full cost method of accounting whereby all costs of exploring for and developing oil, gas and related reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expense, carrying charges of non-producing property, costs of drilling both productive and non-productive wells, and overhead expense related to exploration activities. The portion of the costs associated with operations in North America are depleted using the unit of production method based upon estimated recoverable North American reserves as determined by Company engineers. Costs associated with exploration in the United Kingdom including all overhead expense incurred prior to the commencement of production, will be depleted based upon reserves discovered in the United Kingdom.

### (iii) Depreciation

Depreciation of plant and equipment applied on the straight line method, is based upon the estimated service life of each group of assets.

## 2. ACQUISITION OF UNION PETROLEUM CORPORATION

During 1968, the Company acquired all of the issued and outstanding shares of Union Petroleum Corporation, in exchange for 101,085 Class A shares of the Company. This acquisition has been accounted for as a pooling of interests and the stated capital stock and retained earnings of Union have been credited to the capital stock and retained earnings accounts of the Company. The comparative figures for 1967 have been restated to give effect to this pooling of interests.

## 3. INVESTMENTS

Details of investments are as follows:

	Number of Common Shares	Cost	Quoted Market Value
Trans-Canada Pipe Lines Limited .....	1,291,885	\$32,617,000	\$49,738,000
Calgary Power Ltd. ....	526,875	13,516,000	14,094,000
Atlantic Richfield Company .....	331,000	39,183,000	41,902,000
Sinclair Oil Corporation* ..	20,440	2,789,000	2,851,000
Other investments			
Marketable .....	—	1,339,000	4,478,000
No quoted market value .	—	3,979,000	—
		<u>\$93,423,000</u>	

\* Subsequent to December 31, 1968 the Company acquired a further 33,000 shares of Sinclair Oil Corporation for \$4,181,000.

## 4. CAPITAL STOCK

### (i) Dividends

There are restrictions on the payment of dividends on the Class B shares and of dividends in excess of 25c per annum on the Class A shares under the provisions of the deeds of trust and mortgage securing certain of the outstanding long term debt. Under the most restrictive provision, the amount permitted thereunder for payment of dividends was in excess of the retained earnings as at December 31, 1968.

### (ii) Shares Reserved for Exercise of Warrants

There were 109,965 Class A shares reserved at December 31, 1968 for issuance upon the exercise, on or before July 1, 1976, of warrants to purchase 76,975 shares at \$14.55 U.S. per share and 32,990 shares at \$17.66 U.S. per share.

### (iii) Options to Purchase Capital Stock

As at December 31, 1968 there were outstanding options to purchase 1,500 Class B shares of the Company's capital stock at \$18.87½ (market value at date of issue) per share exercisable to June 1, 1975, all held by officers of the Company. There were no outstanding options to purchase Class A shares.

During 1968, options on 50 Class A shares and 5,550 Class B shares were exercised by employees (including options on 4,000 Class B shares exercised by officers of the Company). No options on either Class A or Class B shares were terminated.

All options on Class B shares were issued under the Employees' Incentive Share Option Plan under which 150,000 Class B shares were set aside for issuance to officers and employees. At December 31, 1968, 1,626 Class B shares were available for option under the plan, the same as at January 1, 1968.

### (iv) Shares Issued During the Year

	Shares		Consideration	
	Class A	Class B	Class A	Class B
Stock options exercised .....	50	5,550	\$ 439	\$102,868
Conversion of debentures .....	1,005,605	—	19,545,756	—
Acquisition of shares of Union Petroleum Corporation ....	101,085	—	189,216	—
	<u>1,106,740</u>	<u>5,550</u>	<u>\$19,735,411</u>	<u>\$102,868</u>

### (v) Sale of Class A Shares in 1969

Subsequent to December 31, 1968 the Company issued and sold 900,000 Class A shares in the United States for an estimated net consideration of \$39,000,000 Canadian. These funds were used to reduce bank indebtedness.

## 5. INCOME TAXES

It is the policy of the companies to make charges against earnings for depreciation of plant and equipment based upon the estimated service life of each group of assets, and to amortize the costs of exploring for and developing oil, gas and related reserves using the unit of production method. The companies, however, claim the maximum capital cost allowances and exploration and development costs allowed in calculating income taxes payable. In 1968, the amounts claimed for income tax purposes exceeded the provisions for depreciation and depletion charged against earnings and as a result there were no income taxes payable. The income taxes deferred have been charged to earnings and credited to "Deferred Income Taxes".

## 6. CONTINGENT LIABILITIES AND COMMITMENTS

The Company has entered into throughput and deficiency agreements in effect guaranteeing 50% of the principal and interest of outstanding First Mortgage Bonds of Federated Pipe Lines Ltd., a



50% owned company. Federated had \$11,555,000 First Mortgage Bonds outstanding at December 31, 1968.

In addition, the Company has guaranteed indebtedness of other affiliated and 50% owned companies in the aggregate amount of \$4,772,000.

Home Oil Company of Canada (a wholly-owned subsidiary company) has entered into a farmout agreement with Atlantic Richfield Company wherein it may earn varying interests in certain petroleum and natural gas properties in Alaska. Under stage one of the agreement the Company made a cash payment of \$3,000,000 U.S. and is committed to spend a further \$8,000,000 U.S. on exploration. The Company may withdraw from the project after stage one. However, if an interest in the lands is to be earned, the Company must continue with stage two of the agreement and spend a further \$12,000,000 U.S.

## 9. PROPERTY, PLANT AND EQUIPMENT

The following is a summary of the cost of property, plant and equipment and the related accumulated depletion and depreciation as at December 31, 1968:

	Cost of Assets	Accumulated Depletion† and Depreciation	Net
Petroleum and natural gas leases and rights, including exploration and development –			
North America .....	\$134,410,000	\$45,152,000†	\$ 89,258,000
United Kingdom (after deducting estimated government grants of \$1,224,000) .....	4,394,000	–	4,394,000
Production equipment .....	20,694,000	7,103,000	13,591,000
Land, buildings, pipe line property and other equipment .....	18,139,000	4,701,000	13,438,000
	<u>\$177,637,000</u>	<u>\$56,956,000</u>	<u>\$120,681,000</u>

## 10. LONG TERM DEBT

### HOME OIL COMPANY LIMITED

#### 5½% Secured Notes, due September 1, 1971

Series A .....	\$ –	\$ 200,000
Series B (\$1,534,000 U.S.) .....	1,524,000	1,908,000
(subject to annual sinking fund payments)		

6½% Secured Sinking Fund Pipe Line Bonds, due November 1, 1977 .....

6½% Secured Bonds, due January 31, 1975 (\$5,650,000 U.S.)\* .....

6½% Secured Bonds, Series A due July 1, 1976 (\$7,690,000 U.S.)\* .....

5½% Secured Bonds, Series B, due February 1, 1981 (\$18,980,000 U.S.)\* .....

6½% Secured Bonds, due January 1, 1983 (\$7,000,000 U.S.)\* .....

6¼% Collateral Trust Bonds, due April 1, 1983 .....

(subject to annual sinking fund payments commencing in 1969)

5½% Convertible Subordinated Debentures due December 1, 1984 .....

6¾% Mortgage, maturing January 1, 1978 (payable in monthly installments) .....

### UNITED OILS, LIMITED

6½% Secured Bonds, Series A, due July 1, 1976 (\$2,960,000 U.S.)\* .....

5½% Secured Bonds, Series B, due January 1, 1981 (\$4,833,000 U.S.)\* .....

Less current minimum maturities .....

	<u>\$64,092,000</u>	<u>\$90,333,000</u>
--	---------------------	---------------------

\* Subject to monthly payments based on production from pledged properties.

All U.S. issues were recorded on the balance sheet in Canadian dollars based on the exchange rate in effect at the date of receipt of the proceeds, with the exception of the 6½% Secured Bonds, Series A, issued by United which are stated at the rate of exchange in effect as at the date of acquisition of control of United.

The estimated minimum amount in Canadian dollars of long term debt maturities and sinking fund requirements for the four years subsequent to 1969 are as follows: 1970 – \$4.6 million, 1971 – \$5.6 million, 1972 – \$5.1 million, 1973 – \$6.3 million.

**Exploration Acreage - January 1, 1969**

Area	Petroleum and Natural Gas Leases		Reservations, Licenses, Permits		Total	
	Gross	Net	Gross	Net	Gross	Net
Alberta .....	2,036,110	975,461	1,852,584	1,146,872	3,888,694	2,122,333
Alaska .....	1,119,600	522,095	—	—	1,119,600	522,095
British Columbia .	32,395	9,417	61,662	33,344	94,057	42,761
Ontario .....	44,656	23,722	—	—	44,656	23,722
Saskatchewan ....	301,877	79,243	1,190,320	1,010,000	1,492,197	1,089,243
United Kingdom ..	—	—	1,679,872	839,936	1,679,872	839,936
TOTAL .....	3,534,638	1,609,938	4,784,438	3,030,152	8,319,076	4,640,090

**Reserves - January 1, 1969**

(Net after deduction of royalties)

Category	Crude Oil (barrels)	Natural Gas Liquids (barrels)	Natural Gas (1,000 cu. ft.)	Sulphur (long tons)
Proven				
Developed .....	140,218,800	16,704,300	779,859,300	1,493,400
Undeveloped .....	581,400	—	9,202,500	—
	140,800,200	16,704,300	789,061,800	1,493,400
Probable Additional				
Secondary .....	71,222,500	192,700	16,225,700	—
Areal .....	158,400	—	60,515,000	—
	71,380,900	192,700	76,740,700	—
TOTAL .....	212,181,100	16,897,000	865,802,500	1,493,400

*Reserves estimated by the Company's reservoir engineers.*



## Sources of Production

Net Wells  
December 31

1968	Producing Field	1968	1967	1966	1965	1964
<b>CRUDE OIL – barrels</b>						
75.03	Swan Hills .....	2,348,800	1,998,839	1,782,699	1,665,081	1,325,564
54.35	Pembina .....	503,138	457,138	456,209	481,731	551,795
12.83	Virginia Hills .....	376,543	387,458	395,857	350,084	292,544
14.40	Mitsue-Saulteaux .....	338,560	305,297	284,113	206,178	19,923
107.60	Turner Valley .....	313,902	311,963	337,751	357,980	400,199
15.80	Harmattan-Elkton .....	253,586	270,024	263,957	253,156	256,600
32.47	Leduc-Woodbend .....	233,793	251,048	253,183	289,200	355,640
45.88	Others .....	432,871	440,366	405,702	398,187	423,421
358.36	Total Crude Oil .....	4,801,193	4,422,133	4,179,471	4,001,597	3,625,865
	Daily Average .....	13,118	12,115	11,451	10,963	9,906
<b>NATURAL GAS LIQUIDS – barrels</b>						
–	Carstairs-Elkton .....	514,550	387,382	303,089	352,684	326,788
2.51	Harmattan .....	206,206	188,046	198,791	169,132	143,963
–	Nevis .....	65,884	61,158	54,368	54,050	54,569
–	Calgary .....	61,789	53,614	67,878	34,078	30,339
–	Others .....	117,297	104,091	87,186	63,983	72,907
2.51	Total Natural Gas Liquids .....	965,726	794,291	711,312	673,927	628,566
	Daily Average .....	2,639	2,176	1,949	1,846	1,717
	Total Crude Oil and Natural Gas Liquids .....	5,766,919	5,216,424	4,890,783	4,675,524	4,254,252
	Daily Average .....	15,757	14,291	13,400	12,809	11,623
<b>NATURAL GAS – thousands of cubic feet</b>						
3.15	Carstairs-Elkton .....	9,321,641	8,668,788	9,269,126	10,912,021	9,797,152
3.11	Nevis .....	3,684,793	3,976,057	3,351,456	3,461,556	3,498,045
–	Jumping Pound .....	2,159,580	1,100,354	465,686	587,474	895,641
.76	Calgary .....	1,756,112	1,367,066	1,679,361	1,525,560	1,478,498
10.28	Turner Valley .....	1,529,102	1,434,901	863,453	1,184,000	2,609,436
.32	Sarcee .....	1,019,135	1,024,733	1,072,345	989,878	817,455
–	Swan Hills .....	969,602	894,799	738,070	472,724	350,343
.62	Crossfield .....	618,356	578,217	409,364	376,480	356,781
2.97	Retlaw .....	557,233	512,309	492,531	425,919	49,901
1.36	Harmattan-Leduc .....	544,716	447,422	20,682	–	–
.40	South Elkton .....	418,647	393,703	415,636	139,615	–
1.50	Pendor .....	403,520	294,253	569,152	603,662	458,034
2.88	Others .....	1,626,472	1,584,355	1,374,240	1,886,492	1,381,157
27.35	Total Natural Gas .....	24,608,909	22,276,957	20,721,102	22,565,381	21,692,443
	Daily Average .....	67,237	61,033	56,770	61,823	59,269



**ALBERTA**

**LEGEND**

- OIL PIPELINES
- OIL PIPELINES IN WHICH HOME HAS MAJOR INTERESTS
- GAS PIPELINES
- GAS PIPELINE UNDER CONSTRUCTION

**SCALE IN MILES**











**ALBERTA**

**U.S.A.**

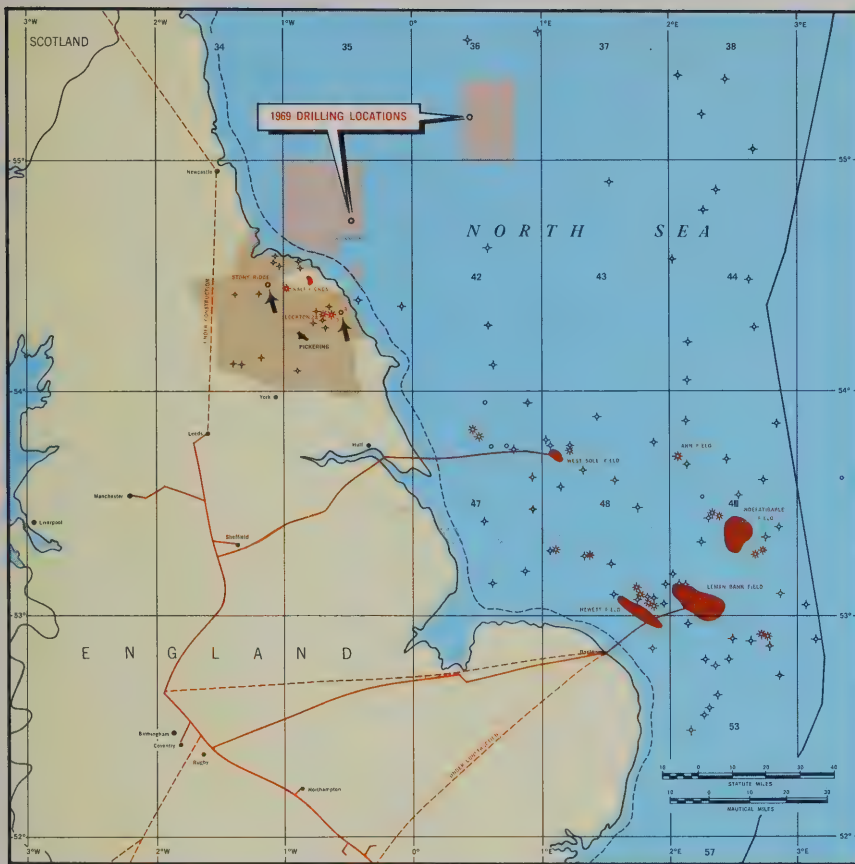
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SCALE IN MILES

### LEGEND

- |   |                                 |   |  |
|---|---------------------------------|---|--|
|  | <b>HOME OIL LAND HOLDINGS</b>   |  | <b>OIL PIPELINES</b>                                   |
|  | <b>MAJOR OIL FIELDS</b>         |  | <b>OIL PIPELINES IN WHICH HOME HAS MAJOR INTERESTS</b> |
|  | <b>MAJOR GAS FIELDS</b>         |  | <b>GAS PIPELINES</b>                                   |
|  | <b>HARDISTY STORAGE PROJECT</b> |  | <b>GAS PIPELINE UNDER CONSTRUCTION</b>                 |
|  | <b>OPERATED GAS PLANTS</b>      |   |  |
|  | <b>NON-OPERATED GAS PLANTS</b>  |   |  |





# MAP OF ENGLAND AND NORTH SEA

SHOWING

Home Oil Company  
Land Holdings

## LEGEND

- Locations or Drilling
- ⊕ Dry and Abandoned
- ☼ Gas Well
- ⊗ Oil and Gas Well
- Gas Field
- Gas Pipeline
- - - Proposed Gas Pipeline



# MAP OF ALASKA

0 100 200 300 400  
SCALE IN MILES

SHOWING

AREAS WITHIN WHICH THE COMPANY HAS  
SUBSTANTIAL HOLDINGS OF PETROLEUM  
AND NATURAL GAS RIGHTS.



POSSIBLE ROUTE OF PROPOSED  
TRANS ALASKA PIPELINE FROM  
PRUDHOE BAY TO VALDEZ.

# A TEN YEAR REVIEW

	1968	1967	1966
<b>Financial</b>			
Gross Revenue .....	\$ 25,405,000	24,158,000	23,109,000
Earnings (Note 1)			
Net Earnings before Extraordinary Items .....	\$ 4,453,000	4,923,000	5,030,000
Per Share .....	\$ .83	.97	1.01
Extraordinary Items .....	\$ 6,343,000	261,000	—
Per Share .....	\$ 1.18	.05	—
Net Flow of Funds from Operations .....	\$ 11,610,000	11,130,000	10,880,000
Per Share .....	\$ 2.16	2.20	2.18
<b>Financial Position</b>			
Working Capital (Deficiency) .....	\$ (42,315,000)	(3,529,000)	4,764,000
Investment in Other Companies .....	\$ 93,423,000	64,117,000	51,833,000
Property, Plant and Equipment — Net .....	\$120,681,000	106,798,000	101,401,000
Long Term Debt (Less Current Maturities) .....	\$ 64,092,000	90,333,000	86,624,000
Deferred Income Taxes .....	\$ 20,801,000	18,415,000	16,309,000
Capital Stock .....	\$ 54,758,000	35,092,000	34,352,000
Retained Earnings .....	\$ 33,028,000	25,107,000	22,404,000
<b>Cost of Finding and Developing Reserves</b>			
Exploration Expenditures .....	\$ 15,282,000	6,597,000	6,387,000
Development Expenditures .....	\$ 1,883,000	2,723,000	4,032,000
<b>Dividends Declared Per Share</b>			
Class A Shares .....	\$ .50	.50	.50
Class B Shares .....	\$ .50	.50	.50
Number of Shares Outstanding — End of Year .....	6,102,000	5,091,000	5,046,000
Number of Shareholders .....	13,200	13,000	13,700
Note 1 — Earnings per share calculated on basis of average number of shares outstanding during the year.			

## Operating

<b>Production and Sales</b>			
Crude Oil and Natural Gas Liquids			
Production — barrels per day .....	15,757	14,291	13,400
Natural Gas Sales — thousand cubic feet per day .....	67,237	61,033	56,770
Sulphur Sales — long tons .....	38,182	42,182	20,343
<b>Proven Developed Reserves</b>			
Crude Oil and Natural Gas Liquids — barrels .....	156,923,000	152,885,000	151,625,000
Natural Gas — thousand cubic feet .....	779,859,000	698,697,000	721,606,000
Sulphur — long tons (* not available) .....	1,493,000	1,636,000	1,241,000
<b>Drilling Activity</b>			
Gross Wells Drilled .....	39	49	54
Net Oil Wells .....	0	8	3
Net Gas Wells .....	4	3	6
Net Dry Wells .....	15	13	11
<b>Exploration Acreage</b>			
Gross Acres .....	8,319,000	6,872,000	6,236,000
Net Acres .....	4,640,000	3,701,000	3,118,000
<b>Daily Average Pipe Line Gatherings</b>			
Cremona Pipe Line Division (wholly-owned) .....	39,268	37,193	36,265
Federated Pipe Lines Ltd. (50% owned) .....	156,001	140,235	128,462



1965	1964	1963	1962	1961	1960	1959
21,827,000	19,445,000	14,412,000	13,140,000	11,555,000	9,282,000	7,781,000
5,390,000	4,147,000	2,188,000	1,374,000	1,174,000	33,000	(1,130,000)
1.10	.87	.50	.30	.26	.01	(.25)
516,000	1,012,000	1,034,000	—	—	2,690,000	—
.11	.21	.24	—	—	.59	—
11,273,000	9,718,000	6,941,000	5,399,000	4,631,000	3,290,000	3,146,000
2.30	2.04	1.60	1.19	1.02	.72	.69
(6,873,000)	3,659,000	(1,001,000)	(3,317,000)	1,281,000	(9,454,000)	(31,954,000)
50,128,000	36,331,000	33,887,000	41,169,000	40,614,000	39,763,000	34,421,000
92,204,000	85,716,000	64,559,000	60,744,000	58,326,000	54,936,000	53,463,000
69,941,000	67,287,000	47,069,000	52,430,000	55,943,000	42,315,000	14,122,000
14,269,000	11,797,000	9,339,000	7,956,000	7,150,000	6,461,000	6,710,000
32,962,000	32,186,000	29,796,000	24,854,000	24,820,000	24,818,000	24,818,000
19,833,000	16,344,000	12,493,000	15,174,000	14,314,000	13,654,000	11,500,000
5,296,000	3,495,000	2,933,000	2,045,000	2,165,000	2,570,000	2,703,000
2,876,000	3,259,000	3,528,000	2,226,000	2,618,000	4,713,000	5,136,000
.50	.35	.25	.25	.25	.25	.25
.50	.35	.25	—	—	—	—
4,936,000	4,842,000	4,565,000	4,548,000	4,542,000	4,542,000	4,542,000
13,900	12,800	12,800	13,000	13,000	13,030	12,600
12,809	11,623	10,042	9,402	8,908	7,849	7,357
61,823	59,269	52,497	43,136	36,073	30,697	16,701
14,714	19,913	6,569	4,392	3,555	—	—
152,489,000	114,937,000	84,419,000	71,725,000	73,196,000	66,820,000	54,981,000
677,001,000	601,833,000	555,300,000	506,660,000	497,713,000	459,271,000	297,096,000
*	*	*	*	*	*	*
78	52	68	65	78	98	57
11	16	8	9	11	19	11
3	1	3	2	1	2	3
21	8	9	10	11	7	6
5,762,000	5,759,000	4,712,000	3,561,000	3,609,000	3,791,000	4,725,000
2,382,000	2,035,000	1,408,000	1,007,000	1,055,000	1,189,000	1,660,000
36,348	33,496	31,862	29,260	17,597	10,850	9,452
110,719	82,252	67,727	58,918	42,257	19,654	5,185

## Atlantic Richfield Company



Home Oil currently owns the equivalent of 400,000 common shares of Atlantic Richfield Company, (refer to Financial Section) acquired at a cost of \$43,476,000 (U.S.) or approximately \$108.70 (U.S.) per share. These shares represent less than one percent of the outstanding shares of Atlantic Richfield.

As noted earlier, the merger of Sinclair Oil Corporation into Atlantic Richfield Company was completed on March 4, 1969 and results in the formation of one of the largest integrated enterprises in the petroleum industry with assets of approximately \$3.8 billion. The merged company had crude oil and natural gas liquids reserves of 3.3 billion barrels and natural gas reserves of 10.9 trillion cubic feet as of January 1, 1968. Net income of the merged company was \$225,661,000 in 1968 as compared to \$225,377,000 last year.

Atlantic Richfield is engaged in exploration, production, transportation and marketing of crude oil, natural gas and petro-chemicals. The merged company has marketing outlets in 46 of the 48 states of the continental United States and operates five U.S. refineries having a combined capacity of 666,000 barrels per day. It also has substantial interests in Venezuela and Iran and markets refined products in Europe.

In the North Slope area of Alaska, Atlantic Richfield participated in an important oil discovery on a 90,000 acre block of leases in which it owns a 50% working interest. Two wells, seven miles apart, have flowed oil from specific intervals at test rates of 2,300 and 2,415 barrels per day, respectively. Atlantic Richfield announced that the firm of petroleum consultants, DeGolyer and MacNaughton, has stated that a recovery of some five to ten billion barrels of oil from the structure is a reasonable expectation. Currently 15 wells are being drilled or being prepared for drilling by several companies in the North Slope area.

As a result of the discovery, studies for a \$900,000,000 48" pipeline are underway. The proposed line will run from Prudhoe Bay in the north to a port on the Gulf of Alaska, some 800 miles to the south. The proposed line will have an initial daily capacity of 500,000 barrels of crude and a potential daily capacity of 2,000,000 barrels.

## Trans-Canada Pipe Lines Limited



At December 31, 1968 the Company's investment in Trans-Canada Pipe Lines Limited stood at 1,291,885 common shares, representing 15.6% of the outstanding shares. The year 1968 was a most eventful one for Trans-Canada as a new sales record was set and construction was completed on the Great Lakes Gas Transmission Company system.

Operating revenue for 1968 increased by 16% to \$195,659,000. Net income, after provision for dividends on preferred shares, was \$12,626,000 or \$1.53 per share compared to \$12,059,000 or \$1.46 per share in 1967. Dividends of \$1.00 per common share were continued during 1968.

Total sales volume increased 17.5% to 516 billion cubic feet in 1968. Average daily throughput reached an all time high of 1.4 billion cubic feet in 1968 with a single day record of 2.0 billion cubic feet being reached late in the year. The completion of the Great Lakes project means that additional volumes of Western Canadian gas can be transported to markets in Eastern Canada via the shortest possible route. In addition, this new 1,000 mile pipeline will serve the fast growing markets in the United States Middle West.

During 1968, Trans-Canada obtained a permit from the Province of Alberta to remove an additional 2.1 trillion cubic feet of natural gas. Following this, intensive negotiations for the purchase of large volumes of gas were carried out to a successful conclusion with producers in the new Strachan, Bragg Creek and Whiskey Creek fields. With these new purchases large volumes of gas are now available for sale in Canadian and American middle west markets. Sales in 1969 are expected to increase 15% to an annual volume in excess of 600 billion cubic feet.

## Calgary Power Ltd.



Home Oil's shareholding in Calgary Power Ltd. remained unchanged at 526,875 shares at December 31, 1968.

Calgary Power Ltd. supplies two thirds of the electricity requirements of the Province of Alberta. The Company's energy sales in 1968 were 4,039 million kilowatt hours, an increase of 12.6% over 1967. This marked increase reflected the strong growth in sales to the oil and gas industry and to other industrial customers.

Gross operating revenue for 1968 of \$46,493,000 was \$4,563,000 more than the preceding year while net income for 1968 was \$9,950,000, compared with \$9,724,000 in 1967. Net earnings per common share amounted to \$1.64, as compared to \$1.59 in 1967. During 1968 the Company paid dividends of \$0.80 per share.

The growth of Calgary Power is closely related to the growth of the Alberta economy. During 1968 marketing and harvesting difficulties in the agricultural section of the economy were more than offset by gains in the industrial sector. Continued growth in the resource based industries is expected to maintain the economy of the Province at a high level and to provide many opportunities for new load on the Company's system.



## Directors

### \*ROBERT A. BROWN, JR., D.U.C.

Calgary, Alberta

President and Managing Director of the Company;  
Chairman and President of Cygnus Corporation Limited;  
President of Natural Resources Growth Fund Ltd.;  
Director of Trans-Canada Pipe Lines Limited, Crown Trust Company,  
Calgary Power Ltd., Great Lakes Gas Transmission Company.

### \*ROBERT W. CAMPBELL

Calgary, Alberta

Executive Vice-President and General Manager of the Company;  
Executive Vice-President and Director of Cygnus Corporation Limited;  
Vice-President and Director of Natural Resources Growth Fund Ltd.;  
Director of Trans-Canada Pipe Lines Limited.

### THE RT. HON. THE EARL BEATTY, D.S.C.

London, England

Chairman of the Board of Home Oil of Canada Limited.

### MARSH A. COOPER

Toronto, Ontario

President and Managing Director of Falconbridge Nickel Mines Limited;  
Chairman of the Board of McIntyre Porcupine Mines Limited;  
Director of The Granby Mining Co. Ltd., Jefferson Lake Petrochemicals of  
Canada Ltd., Natural Resources Growth Fund Ltd., Crown Life Insurance  
Company, National Trust Company, Limited, Bridge & Tank Co. of Canada Ltd.

### E. FRED DAVIS

Los Angeles, California

Consultant to the Company.

### \*MERVYN A. DUTTON

Calgary, Alberta

President of Chinook Shopping Centre Ltd.;  
Director of Crown Trust Company.

### PERCY M. FOX

Montreal, Quebec

Chairman of the Board of The Great Lakes Paper Company, Limited;  
President of Mohawk Corporation Limited;  
Director of Argus Corporation Limited, Canadian Imperial Bank of Commerce,  
The Royal Trust Company, Domtar Limited, St. Lawrence Corporation Limited.

### WILLIAM F. JAMES, Ph.D.

Toronto, Ontario

Partner of James, Buffam & Cooper;

Vice-President and Director of Alminex Limited and Canadian Gas and  
Energy Fund Ltd.;  
Director of Cygnus Corporation Limited, Eldorado Nuclear Ltd., Falconbridge  
Nickel Mines Limited, National Trust Company, Limited, The Patino Mining  
Corporation, Bridge & Tank Co. of Canada Ltd., Dome Mines Limited,  
Campbell Red Lake Mines Limited, The Granby Mining Company Limited.

### HARRY I. PRICE

Toronto, Ontario

Chairman of the Board of Harry Price Hilborn Insurance Limited;  
Chairman of the Executive Committee and Director of Burns Foods Limited;  
Director of Bridge & Tank Co. of Canada Ltd., Cygnus Corporation Limited.

### JOHN B. SANGSTER

Regina, Saskatchewan

Director of Guaranty Trust Co. of Canada, Natural Resources Growth Fund Ltd.

### RENAULT ST-LAURENT, Q.C., LL.D.

Quebec City, Quebec

Partner of St-Laurent, Monast, Desmeules & Walters;  
Director of Air Canada, Anglo-Canadian Pulp and Paper Mills, Ltd., Rock City  
Tobacco Co. (1960) Ltd., Banque Canadienne Nationale, National Trust  
Company, Limited, Sicard Inc., The Imperial Life Assurance Company of  
Canada, Scott Paper Limited, Gelco Enterprises Ltd., Canadian National  
Railways, Canadian Breweries Limited.

### \*G. HARRY THOMPSON, M.C., D.U.C.

Calgary, Alberta

Chairman of the Board of Calgary Power Ltd.;  
Vice-President and Director of Montreal Engineering Company Ltd.;  
Director of Trans-Canada Pipe Lines Limited, Natural Resources Growth  
Fund Ltd.

### ALVIN J. WALKER

Montreal, Quebec

Director of Holt Renfrew & Co. Ltd., Canadian Fur Investments Ltd., Grouped  
Income Shares Ltd., Windsor Hotel Ltd., Imperial Trust Co. Ltd.

### JAMES B. WEIR, O.B.E., E.D.

Montreal, Quebec

Chairman of the Board of Oswald Drinkwater & Graham Ltd.

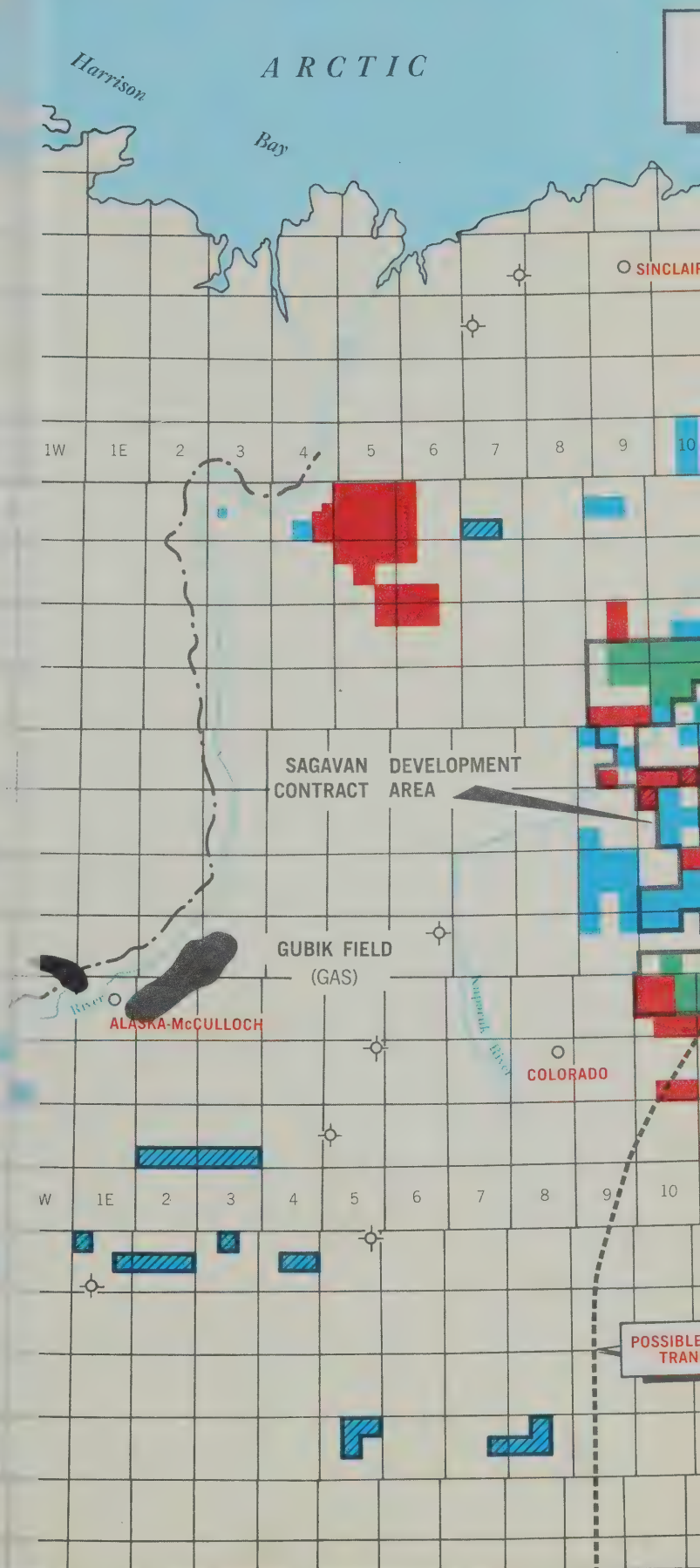
### RALPH F. WILL

Calgary, Alberta

Private Investments.

\*Member Executive Committee

## Cape Halkett



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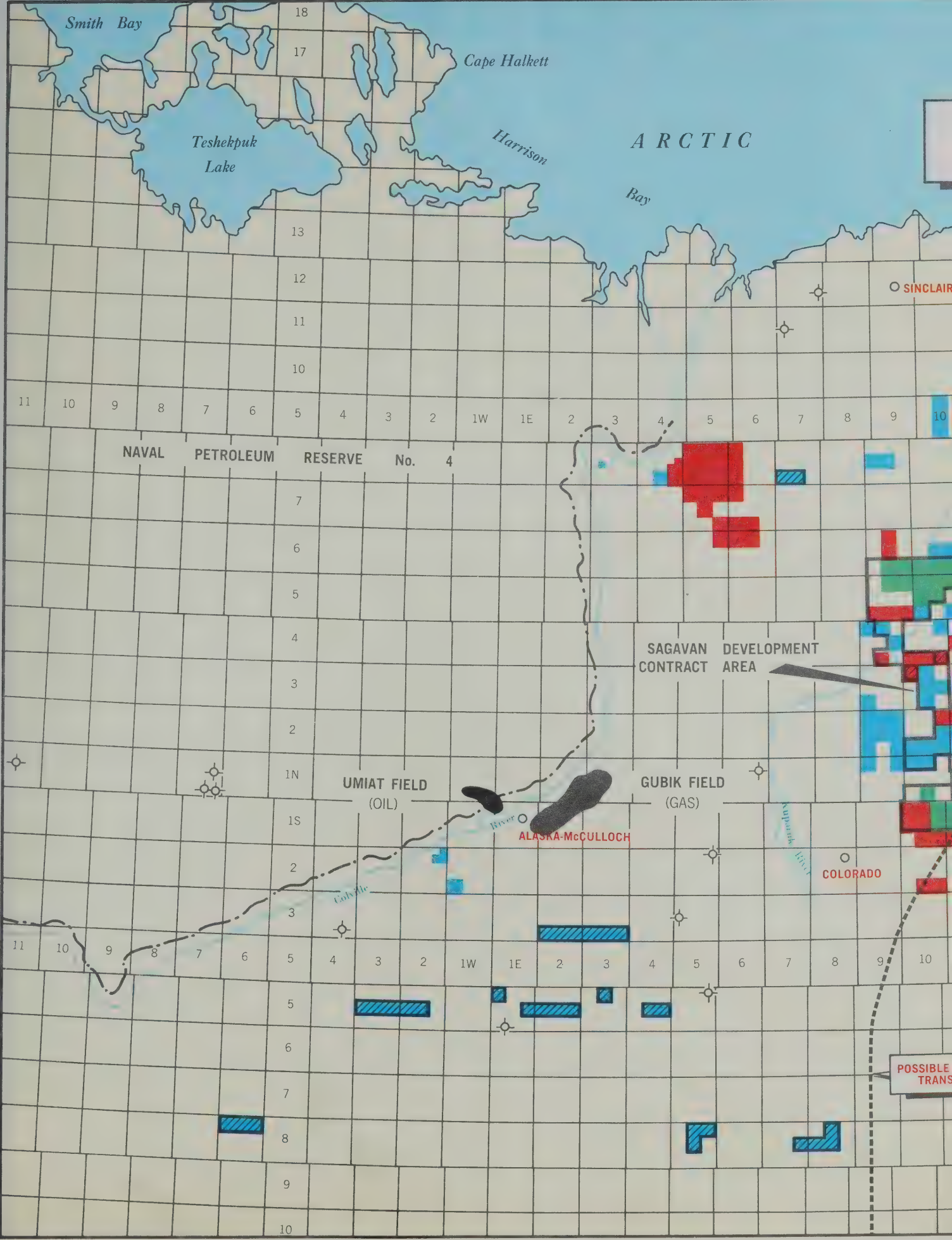
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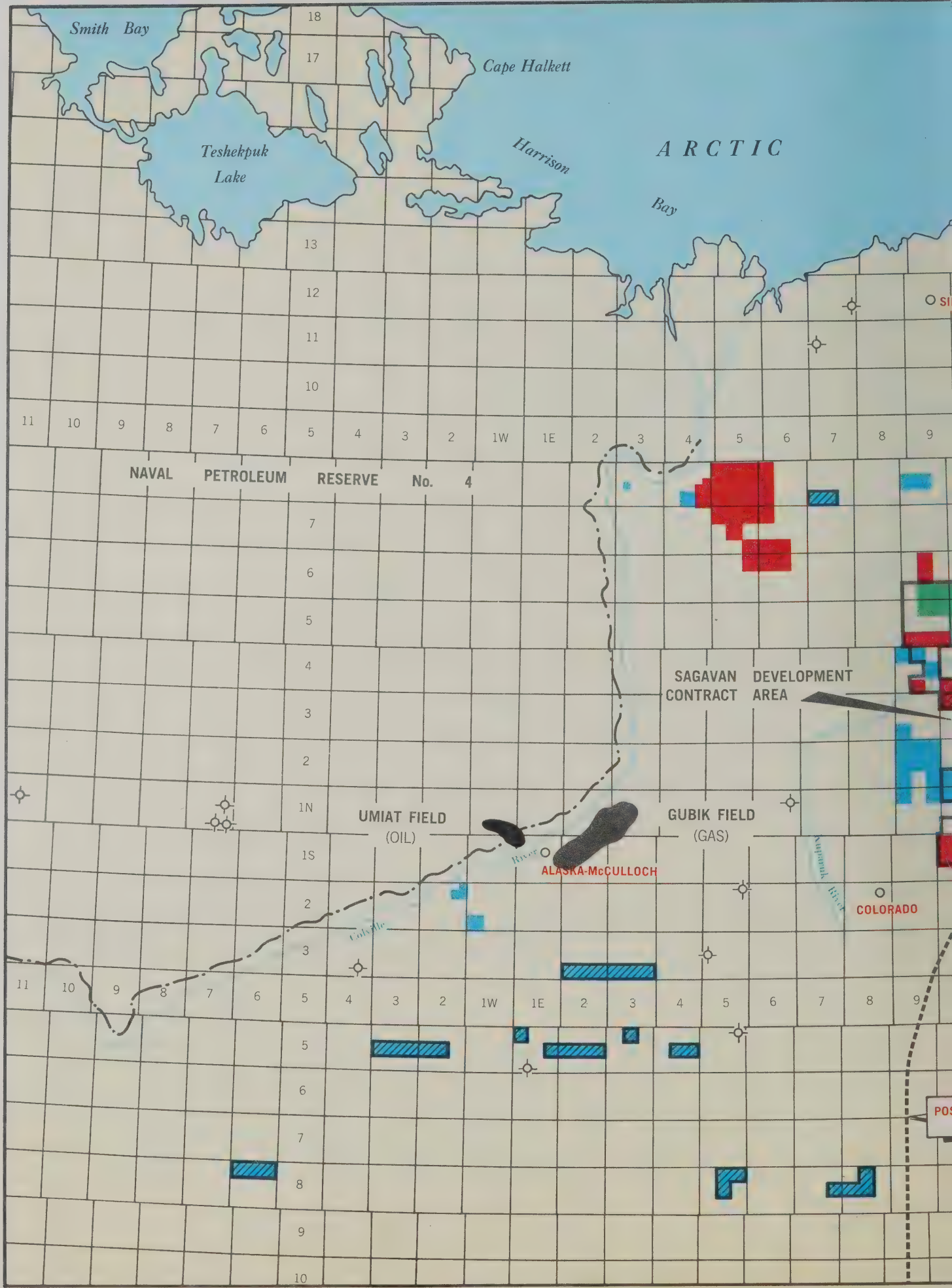
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Chairman of the Board of the continental United States  
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Chairman of the Company;  
\*MERVYN A. DUTTON  
Calgary, Alberta  
President of Crown Trust Company;  
Director of Crown Trust Company.  
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Montreal, Quebec  
Chairman of the Board of The Great Lakes Paper Company Limited;  
President of Mohawk Corporation Limited;  
Director of Angus Corporation Limited, Canadian Imperial Bank of Commerce,  
The Royal Trust Company, Dominion Limited, St. Lawrence Corporation Limited.  
WILLIAM F. JAMES, JR., D.D.  
Toronto, Ontario  
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Vice-President and Director of Amnux Limited and Canadian Gas and Energy Fund Ltd.;  
Director of Canys Corporation Limited, Eldorado Nuclear Ltd., Falconbridge Nickel Mines Limited, National Trust Company Limited, The Pacific Mining Corporation, Bridge & Tank Co. of Canada Ltd., Crown Life Insurance Company, National Trust Company Limited, The Canby Mining Company Limited.  
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Chairman of the Executive Committee and Director of Burns Foods Limited;  
Director of Bridge & Tank Co. of Canada Ltd., Canys Corporation Limited.  
JOHN B. SANDERSON  
Kingston, Saskatchewan  
Director of Guaranty Trust Co. of Canada, Natural Resources Growth Fund Ltd.  
RENAULT ST-LAURENT, D.C., LL.D.  
Quebec City, Quebec  
President of the Board of Home Oil of Canada Limited;  
Director of Air Canada, Anglo-Canadian Film and Paper Mills Ltd., Rock City Tobacco Co. (1960) Ltd., Banque Canadienne Nationale, National Trust Company, Limited, Second Bank, The Imperial Life Assurance Company of Canada, Scotiabank Limited, (also International Ltd., Canadian National Railways, Canadian Breweries Limited.  
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Montreal, Quebec  
Chairman of the Board of Osvald Dinkwater & Graham Ltd.  
RALPH F. WILLIAMS  
Calgary, Alberta  
Member, Executive Committee







Smith Bay

18

17

Cape Halkett

Teshekpuk  
Lake

Harrison

ARCTIC

Bay

13

12

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NAVAL PETROLEUM RESERVE No. 4

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9

UMIAT FIELD  
(OIL)

GUBIK FIELD  
(GAS)

ALASKA-McCULLOCH

SAGAVAN DEVELOPMENT  
CONTRACT AREA

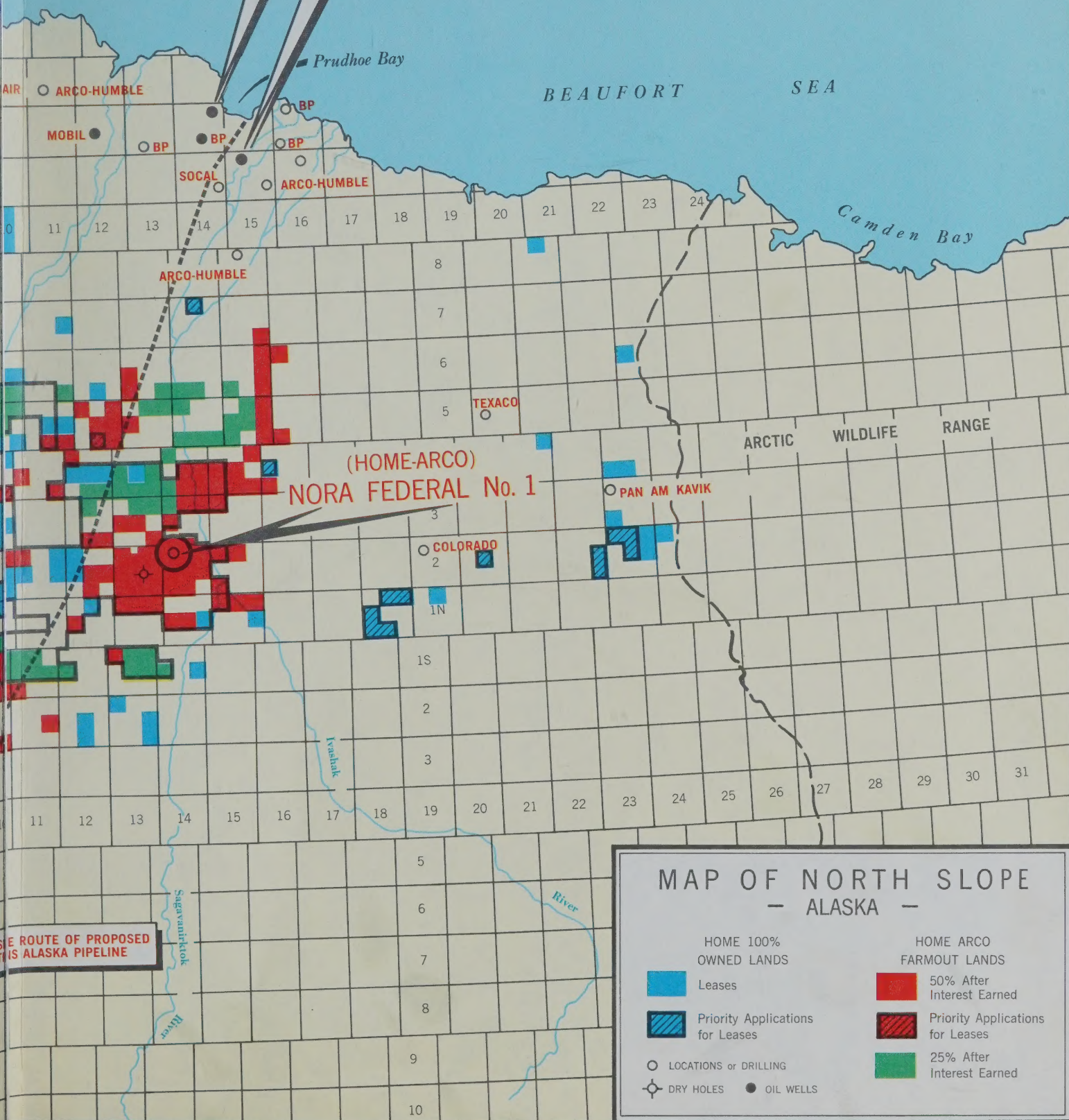
COLORADO

POS



SCALE 0 5 10 20 30 MILES

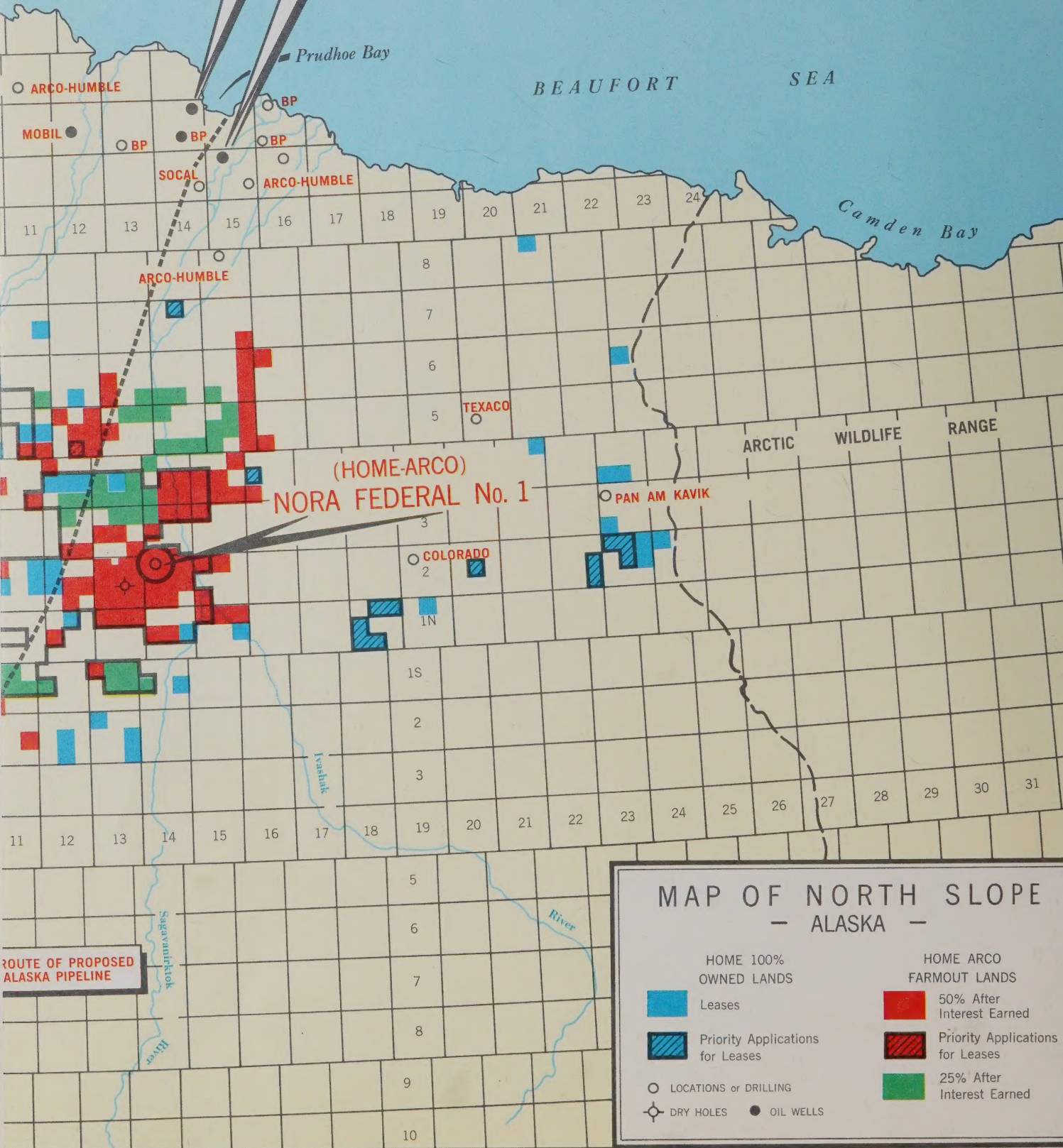
# ATLANTIC-HUMBLE DISCOVERY WELLS





SCALE 0 5 10 20 30 MILES

# ATLANTIC-HUMBLE DISCOVERY WELLS



## MAP OF NORTH SLOPE — ALASKA —

- |                                  |                                  |
|----------------------------------|----------------------------------|
| HOME 100% OWNED LANDS            | HOME ARCO FARMOUT LANDS          |
| Leases                           | 50% After Interest Earned        |
| Priority Applications for Leases | Priority Applications for Leases |
| LOCATIONS or DRILLING            | 25% After Interest Earned        |
| DRY HOLES                        | OIL WELLS                        |



## **Officers**

R. A. Brown, Jr., *President  
and Managing Director*

R. W. Campbell, *Executive Vice-President  
and General Manager*

G. J. Blundun, *Vice-President, Exploration*

R. B. Coleman, *Vice-President, Secretary  
and General Counsel*

I. M. Drum, *Vice-President, Special Projects*

M. P. Paulson, *Vice-President,  
Production and Pipelines*

R. F. Phillips, *Vice-President, Administration*

W. T. Wilkinson, *Vice-President, Marketing*

G. W. Bennett, *Comptroller*

B. B. Rombough, *Treasurer*

F. G. Mitchell, *Assistant Secretary*

## **HEAD OFFICE**

304 Sixth Avenue S.W.  
Calgary 1, Alberta

## **AUDITORS**

Riddell, Stead, Graham & Hutchison

## **SOLICITORS**

Macleod, Dixon, Burns, Love, Leitch, Lomas,  
Charters & Montgomery, Calgary, Alberta  
Dunnington, Bartholow & Miller,  
New York, N.Y.

## **BANKERS**

Canadian Imperial Bank of Commerce  
The Chase Manhattan Bank

## **TRANSFER AGENTS**

Crown Trust Company  
The Chase Manhattan Bank

## **REGISTRARS**

Crown Trust Company  
The Canadian Bank of Commerce Trust Company

## **LISTINGS**

Toronto Stock Exchange  
Vancouver Stock Exchange  
Calgary Stock Exchange  
Montreal Stock Exchange  
American Stock Exchange  
Pacific Coast Stock Exchange

The Company publishes a book entitled  
"Financial and Operating Information for the  
use of Security Analysts". This book is avail-  
able to any shareholder who directs a request  
to the Public Relations Department.



